Austria Sch22	Indonesia Rp3100	Portugal Esc100
Bahrain Din0.650	Israel NS3.50	S.Arabia Rls6.00
Belgium BFr48	Italy L1600	Singapore .... S$4.10
Canada .... C$1.00	Japan Y600	Spain Pta125
Cyprus .... C£0.75	Jordan Fils500	Sri Lanka Rup30
Denmark DKr9.00	Kuwait Fils500	Sweden SKr8.00
Egypt .... E£2.25	Lebanon ... $L125.00	Switzerland. SFr2.20
Finland Fmk7.00	Luxembourg .. LFr48	Taiwan .... NT$65
France FFr6.50	Malaysia Rin4.25	Thailand Bht50
Germany DM2.20	Mexico Pes300	Tunisia Din0.800
Greece Dr100	Morocco Dh6.00	Turkey L500
Hong Kong .... HK$12	Netherlands ... Fl3.00	UAE Dh6.50
India Rup15	Norway NKr8.00	USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,384 Monday November 9 1987 D 8523 A

Tunisia: The man who takes the place of Bourguiba, Page 22

Militants capture Europeans off Israel

A yacht carrying eight Europeans, including two children, is reported to have been seized in the Eastern Mediterranean after their boat clashed with a seaborne unit of the radical Abu Nidhal guerrilla organisation near Ghaza. It was an apparent attempt by the guerrilla group to embarrass the Arab League summit conference, which opened in Amman yesterday. Page 4

Assad at Arab summit

An emergency Arab summit, which has begun in Amman, is likely to be dominated by President Hafez al-Assad of Syria, whose support of Iran in the Gulf war has deeply angered regional neighbours. Page 4

Iran fires missile

Iran says it has fired two surface-to-surface missiles at Baghdad in retaliation for stepped-up attacks by Iraq aimed at impressing the Arab League summit.

Egypt impounds ship

Egypt has impounded a Dutch cargo ship and is seeking $97m compensation for oil pollution to the Sinai coastline.

Lebanon strike

Mr Antoine Bishara, General Confederation of Labour Unions president in Lebanon, has pledged that a four-day-old strike in protest over an economic crisis "will continue indefinitely" until measures are taken to halt the deterioration.

Dublin fights EC plan

Dublin is fighting to delay a European Commission proposal to impose VAT on Irish greyhounds and thoroughbred racehorses. Page 2

Bonn uncovers racket

Bonn has uncovered a steel smuggling racket involving the sale by European steel traders of more than DM200m ($116.3m) of East German steel in Western Europe, the US and Turkey in 1985 and 1986. Page 6

Under Eastern eyes

A group of Warsaw Pact officers has arrived in Scotland to attend British military manoeuvres, the first to do so under an East-West security agreement.

Chirac promise

Prime Minister Jacques Chirac has promised French Jews he will never ally himself or his party with the extreme right - a clear reference to the policies of the ultra-right National Front of Mr Jean-Marie Le Pen.

Sri Lanka security

Navy and air force personnel are guarding key installations in Colombo as Sri Lankan troops fan out through the city after a "maximum security" alert. Page 2

South Koreans cheer

Thousands of South Koreans cheered as presidential candidate Mr Kim Dae-Jung denounced President Chun Doo-Hwan's Government and called for formation of an interim government.

Argentina inflation

Argentina's inflation figures leapt to their highest level in two-and-a-half years last month, partially as a result of the Government's new economic measures designed to reduce fiscal deficit. Page 3

South Africa fighting

The vicious in-fighting between rival warlords for political control over black townships in areas of Natal has claimed five more victims, despite a top-level peace meeting. Page 3

Kenya tough stand

President Daniel Arap Moi has ordered Kenyans to surrender all foreign currency being held illegally by November 13. Police recently arrested several people who failed to remit the proceeds of their coffee exports.

Malawi plane missing

Three British businessmen are among 10 people missing aboard a Malawian charter plane which has reportedly been shot down over Mozambique. Page 3

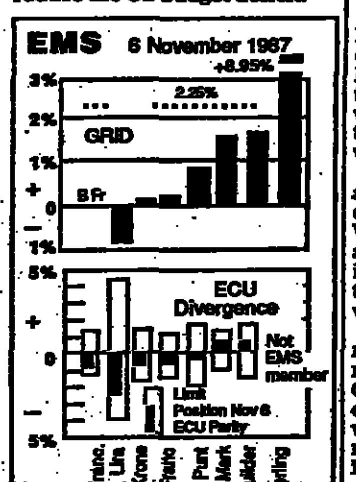
World Bank to give India drought aid of $500m

THE WORLD BANK plans to increase its aid to India by $400m-500m this year to help the country overcome the effects of a drought which is expected to add about $1bn to the annual balance of payments deficit and almost halt economic growth. Page 2

EUROPEAN Monetary System: The dollar's fall to record lows created further strains within the EMS last week. Co-ordinated action by French and West German central banks resulted in a half-point cut in the Bundesbank's Lombard rates and a three-quarter-point rise in the French central bank's money market intervention rate.

However, much of the benefit was offset by a further decline in US interest rates and the French franc was still trading close to its floor level against the D-Mark. The franc was also very weak against its Ecu central rate, although it finished the week above its worst level.

Officials remained convinced that measures to support the EMS and avert a realignment would prove successful only in the short term unless there was real progress made in trying to reduce the US budget deficit.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move by more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (ECU), itself derived from a basket of European currencies.

TOKYO: Nikkei market average closed 158.01 down at 22,637.01, after small-lot profit-taking in a quiet Saturday half-day session. World stock markets, Page 43

PORTUGAL has forecast 3.75 per cent growth in gross domestic product for 1988, following 5 per cent this year. Page 6

WEST GERMAN capital investment is likely to grow by only 1 per cent in real terms next year, says the Munich-based IFO economic research institute. Page 6

GOTABANKEN, Sweden's fourth largest quoted commercial bank, said profits would be halved this year following recent options-trading losses. Page 23

GRUPO Industrial Alfa, Mexico's biggest holding company, has ceded 45 per cent of its stock to international banks in exchange for writing off nearly $1bn of the group's £2.7bn foreign borrowing, the largest private foreign debt in Latin America. Page 24

THORN EMI is to sell its holding in the project J2T, a joint venture with JVC of Japan and Thomson of France to produce video cassettes. Page 12

CITICORP has offered to buy the near-bankrupt Financial Corporation of America, for which Ford Motor subsidiary First Nationwide Bank has made an undisclosed bid. Page 26

ESTABLISHMENT of a company to take over the Third World debt exposure of offshore banks based in Bahrain is under active consideration. Page 26

BURLINGTON Industries, US textiles group taken private last summer by a group of investors led by Morgan Stanley, the Wall Street investment bank, has announced its first asset disposal. Page 26

Bomb kills 11 civilians at Northern Ireland ceremony

BY OUR BELFAST CORRESPONDENT AND LISA WOOD IN LONDON

ELEVEN PEOPLE were killed and 55 injured when a 30lb terrorist bomb exploded minutes before a Remembrance Day service in Northern Ireland yesterday.

The blast ripped through the Fermanagh town, Enniskillen, as hundreds of men, woman and children were gathering for the annual wreath-laying ceremony, which commemorates the dead in world wars and other conflicts.

Four married couples, a retired policeman and a young nurse were among the six men and five women confirmed dead in one of Ulster's worst terrorist atrocities.

The local army centre was used as a temporary morgue, as doctors and nurses of the nearby Erne hospital worked flat out to treat casualties, whose ages ranged from 10 to 74.

There were scenes of chaos as the blast collapsed a gable wall of a building, burying dozens of civilians who had gathered to watch the parade.

People who escaped injury began digging through the rubble with their bare hands in a bid to free the trapped. School children wandered around aimlessly screaming for their parents, as the emergency services rushed to the scene.

Dr Robin Eames, the Church of Ireland Primate, who had been scheduled to preach in the nearby St MacCartan's Cathedral, instead went immediately to the hospital. Dr Eames said he would never forget what he saw.

He said that the culprits had deliberately placed the bomb where it would cause maximum carnage.

"The miracle is that there was not a wholesale massacre in Enniskillen. I ask society to ask itself how can you excuse that?" he said.

Mrs Margaret Thatcher, the British Prime Minister, said: "It is the most cruel, callous action we have heard of for a long time, taking advantage of everything that is decent in human nature."

Referring to the Irish Republican Army, she said: "I hope that everyone the world over who ever had any sympathy, however misplaced, for these people, will offer none now."

Some 2,600 people have been killed since 1969 in Northern Ireland's latest cycle of sectarian violence embroiling the IRA, Protestant extremists, the Royal Ulster Constabulary and the British Army.

In 1972, British troops killed 13 Catholics during "Bloody Sunday" demonstrations in the Northern Ireland city of Londonderry while in 1979, Mr Airey Neave, the Conservative Party's spokesman on Northern Ireland was killed by a bomb in the underground carpark of the British parliament and Lord Mountbatten, a cousin of the Queen, was killed when a bomb destroyed his fishing boat off the Irish coast.

Mr Tom King, the Northern Ireland Secretary, said "an appalling outrage" had been committed.

He said: "Anyone who planned this outrage knew for certainty that among the casualties there would be pensioners, young people and children. It is difficult to conceive a more appalling and callous outrage

than has been committed. The RUC will do all they can to bring those people to justice."

Mr Ken Maginnis, Official Unionist MP for Fermanagh and South Tyrone, accused the Government of having abandoned his constituency to the terrorists.

He said that British politicians in England would be gracious and sympathetic, but he added: "When they go home to their constituencies next weekend, they will have forgotten Ken Maginnis and the people of Fermanagh and Tyrone, as they have done for the last 17 years."

Other British political leaders, many of whom attended the Service of Remembrance in London yesterday, spoke out against the Enniskillen murders.

Mr Neil Kinnock, leader of the Labour Party said: "This attack by the IRA shows a new depth of vicious cowardice. It is an atrocity against ordinary people honouring those who fought to get the very freedom that terrorism wants to destroy."

The Queen, in a statement, said: "I was deeply shocked to hear of the atrocity which took place in Enniskillen today and of the innocent victims who were sharing in the nation's Remembrance."

Signs grow of accord on measures to cut US deficit by $23bn

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

MR JIM WRIGHT, the Democratic Speaker of the House of *Representatives, insisted* yesterday that Washington can and will pass a budget deficit reduction package of at least $23bn within the next two weeks.

Mr Wright's remarks came amid signs that the third week of negotiations between the White House and Congress aimed at cutting the budget deficit could be more fruitful than the first two weeks of talks which had made little progress.

Ironically, the fiasco sur*rounding the Supreme Court* nomination of Judge Douglas Ginsburg could make a budget compromise more likely. He was the right-wing candidate nominated by President Ronald Reagan after the Senate rejected the President's earlier nomination of Judge Robert Bork.

The collapse of his nomination is a setback for the conservatives and may weaken their influence on the budget issues. They have been pressing the President *not to concede a tax* increase as part of a budget compromise.

There were also some signs over the weekend that White House moderates may be pressing harder for a budget deal. The New York Times reported yesterday that Mr James Baker, the Treasury Secretary, had told Congressional negotiators that he is ready to discuss a sub*stantive package of tax in*creases as part of a $23bn deficit reduction package provided Democrats on Capitol Hill commit themselves to spending cuts. His move is seen as an effort to accelerate the talks.

The Washington Post yesterday published a report which quoted friends of Mr Howard Baker, the White House Chief of Staff, criticising him for not being more forceful in resisting pressures from Administration conservatives. *The report could* be read as an effort to push Mr Baker, a prgamatist and a moderate, to use his influence to seek solutions to problems such as the deficit and not allow the confrontational tactics of the right wing to be so influential.

Mr Wright yesterday continued to press for a budget package comprising tax increases and spending cuts, including postponing next year's reduction in the top tax rate for weal*thier tax payers and stretching* out procurement programmes for the Defence Department in order to reduce defence spending.

He expressed optimism about getting a medium-term deficit reduction package starting with more than $23bn in the current year, an optimism which is not however widely shared.

Although the pace of negotia*tion in the deficit talks is show*ing signs of quickening as the apparent deadline of November 20 approaches - the date when, under the Gramm-Rudman budget process, $23bn of automatic spending cuts would be triggered - politicians on both sides of the aisle are predicting that it is unlikely a final agreement will be achieved before the deadline is reached.

Anatole Kaletsky writes from New York: For traders and in*vestors on Wall Street*, the possibility of a budget settlement provides the main reason for hope, in what could otherwise turn out to be another nerve-wracking and unstable week.

Equity traders went home in poor spirits on Friday, after another attempted rally petered out and the Dow Jones Industrial Average again failed to break through the psychologically important 2,000 mark ending the week at 1,959.05.

The further weakening of the dollar in the *foreign* exchanges on Friday night and Saturday morning's news of a fall in the Japanese *stock* prices during the Tokyo market's half-day weekend trading has not helped investors' morale over the weekend.

Reagan is forced to nominate third judge

By Nancy Dunne in Washington

AS JUDGE Douglas Ginsburg, President Ronald Reagan's second choice to fill a vacancy on the US Supreme Court, exited stage left yesterday, a flurry of activity in the wings indicated the imminent arrival of an understudy.

Judge Anthony Kennedy, apparently the leading candidate to be President Reagan's third choice for the job, was flown into Washington on Saturday night on a government aircraft. Judge Kennedy, a federal Appeals Court judge from California, was reportedly the choice of Mr Howard Baker, White House Chief of Staff, when *Mr Ginsburg* was nominated. Although Judge Kennedy is a conservative, he was considered too moderate by Mr Edwin Meese, the Attorney General, who successfully secured the President's approval for Mr Ginsburg.

Also reported under consideration for the job is Judge William Wilkins, an Appeals Court judge in South Carolina.

With two blundered attempts to nominate a candidate behind it, the Reagan Administration cannot afford another mistake. The apparent lack of preparation that went into Judge Ginsburg's selection has triggered widespread criticism both from the Administration's friends and enemies.

There is a lot at stake if the Administration cannot prove its competence in relations with Congress. Delicate negotiations are underway on Capitol Hill over the budget deficit and the debate over ratification of a deal with the Soviet

Continued on Page 22

Carmakers defy Brazil's ban on price rises

BY IVO DAWNAY IN RIO DE JANEIRO

DIRECTORS of Autolatina - Ford and Volkswagen's Brazilian holding company - must decide today whether to continue defying the government over car prices and risk jail, or to give way and cut prices.

At the weekend, the company appeared determined to continue its "civil disobedience" strategy, despite punitive measures by Brasilia aimed at forcing the motor manufacturers to withdraw price increases on their cars, unilaterally imposed last week.

The clash between Autolatina and the government of President Jose Sarney has caused a sensation in business circles. It began last week when, after months of disputes with the authorities, the company ignored an authorised 10.8 per cent price increase and lifted prices by an average 28 per cent.

Advertisements taken by the company claimed that the action was justified and legal as the government had failed to honour guarantees on profitability made by the Finance Ministry in a negotiated accord in April.

Mr Luiz Carlos Bresser Pereira, the Finance Minister, denied the deal was legally binding and threatened fierce measures if the company did not conform to the prices laid down by the Interministerial Prices Council (CIP).

Despite the warning, Autolatina continued to enforce its new charges, provoking retaliatory action late on Friday.

Using seldom-invoked national security legislation, the government has:

- Suspended all routine credit, foreign exchange and import-export licences supplied to the company by the Central Bank and the official trade agency, Cacex.
- Threatened further sanctions under laws that included the right to sequestrate property and carry criminal sentences of up to two years.
- Ordered price watchdogs and tax officials to launch investigations into the company's accounts.

The dispute comes after years of conflict between foreign car manufacturers and the Brazilian Government. Neither Ford nor VW have made profits in the Brazilian market since 1980, and the companies claim that taxes of over 50 per cent on their products ensure that losses are incurred on every car sold.

The companies united under the new name, Autolatina, a year ago in a move that, analysts claimed, was dictated as much by common political interest as industrial logic.

Last month, despite high consumer demand, Autolatina stopped production and laid off a large proportion of its 56,000-strong workforce in protest at fixed prices. The seriousness of its current action suggests that local directors have received approval from the highest level of their parent companies in the US and West Germany.

A legal ruling on Autolatina's court action against the government, which demands compliance with the April accord, is not expected for 10 days.

Lawson promises to maintain growth of British economy

BY PETER RIDDELL, POLITICAL EDITOR

THE UK Government was prepared to take action, including cutting interest rates, to ensure that the British economy continued to grow and was as little affected as possible by any US and international downturn, Mr Nigel Lawson, the Chancellor of the Exchequer, said yesterday.

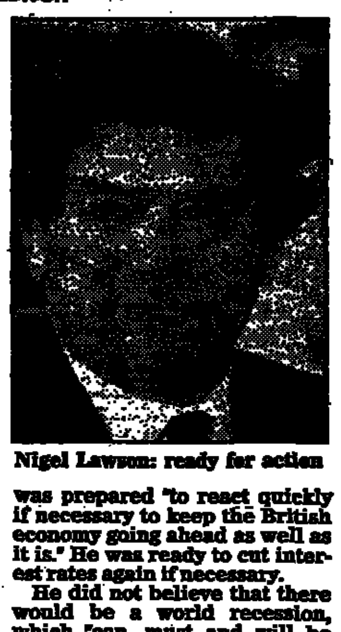
This message of reassurance was repeatedly offered yesterday by Mr Lawson during an interview on independent television.

It reflects a shift of emphasis in the Government's presentation after concern among some ministers at the end of last week that the Government was making British policy too dependent on the uncertainties of agreement between the Reagan administration and Congress on a package reducing the US budget deficit.

Mr Lawson yesterday reiterated his hope, and belief, that a two-year package of tax increases and spending cuts would soon be agreed and followed by wider international action.

He thought all countries were concerned to have a degree of stability in exchange rates. "In the light of recent events it is all the more important that America commits herself fully to that in deeds as well as words," he said.

But he emphasised that, whatever happened in the US, he was already making plans to ensure that the British economy was defended. Arguing that the British economy started from "an exceptionally strong position", the Chancellor said he



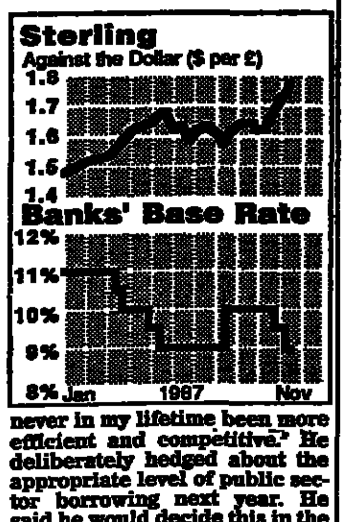
Nigel Lawson: ready for action

was prepared "to react quickly if necessary to keep the British economy going ahead as well as it is." He was ready to cut interest rates again if necessary.

He did not believe that there would be a world recession, which "can, must and will be averted." He would ensure that the British economy went on growing so that the UK was not involved in a slump.

"I will take whatever measures are necessary to ensure that the British economy is secure and affected as little as possible by difficulties outside," he said.

Mr Lawson presented an optimistic view of the economy which had weathered the storms of a year-long coal strike and the collapse of the oil price. He said: "British industry has



never in my lifetime been more efficient and competitive." He deliberately hedged about the appropriate level of public sector borrowing next year. He said he would decide this in the light of revised economic forecasts next February.

But he emphasised that the yardstick would be that the British economy would be sound to go ahead. It was highly unlikely that this would involve any increase in taxation because public finances were so sound.

Mr Lawson also defended what he described as his "frank" warning last week to the US about its budget deficit. Since 1979, the Government had practised and not just preached by concentrating on cutting a high inherited level of public borrowing and being prepared to put up taxes in 1981.

Background, Page 11.

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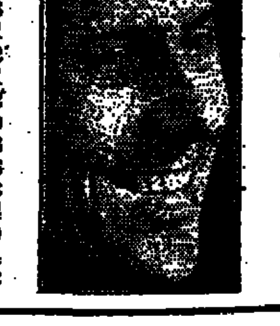


MONDAY PAGE INTERVIEW

Norman Tebbit, former UK Conservative Party chairman, describes his vision of Tory populism to Peter Riddell

Troops out in Colombo amid security alert

BY MERVYN DE SILVA IN COLOMBO AND JOHN ELLIOTT IN NEW DELHI

NAVY and air force personnel guarded key installations in Colombo yesterday as Sri Lankan troops fanned out in the city and its suburbs following a *'maximum security' alert*.

The alert was called by Lt-Gen. Cyril Ranatunge some hours after President Junius Jayewardene returned to the island.

Mr Jayewardene, who attended the South Asian summit in Katmandu, spent three days in New Delhi, on an unscheduled visit, to discuss with Mr Rajiv Gandhi, India's Prime Minister, 'residual problems' arising from the peace accord they signed in late July. These included proposed legislation which will go before the Sri Lankan parliament this week.

The tight security measures, which will be relaxed only at the end of the week, followed intelligence reports that the extremist JVP, a proscribed party, was planning terrorist attacks in Colombo.

Since the July agreement, a Sri Lankangovernment MP has been killed and many prominent members of the ruling UNP assaulted. Some 62 midrung UNP activitists have been murdered.

On August 18, President Jayewardene narrowly escaped death in a grenade attack in parliament which seriously wounded many MPs,including three ministers.

INDIAN troops trying to disarm Tamil guerrillas in Sri Lanka killed 11 rebels in the northern Jaffna peninsula, *newspapers said yesterday*, Reuter reports from Colombo.

The Weekend newspaper said the Liberation "Tigers" started the battle by firing at Indian soldiers guarding a harbour at Kankesanthurai.

More than 20,000 Indian troops have been posted to Sri Lanka to disarm the Tigers and other groups opposed to the July 29 peace accord aimed at ending four years of violence between minority Tamils and majority Sinhalese.

Last week, all government MPs who have been threatened received a "final warning" printed in red. Mr. Jayawardene has now allowed each UNP MP to have armed guards as personal security staff.

President Jayawardene left New Delhi on Saturday evening, having failed to satisfy Mr Gandhi and Indian officials that constitutional changes which will be brought before Parliament this week fully reflect all *the devolutionary proposals* contained in the July 29 agreement between the two countries.

The constitutional amendment and the provincial council bill will be the first legislative steps to implement the accord.

Mr Jayawardene's talks with *Mr Gandhi* were *extended for* a third day because of problems over the bill. Experts argue that it reduces the proposed independence of new provincial adminstrations from the central government, and also does not satisfactorily protect Tamil areas from "colonisation" by the majority Sinhalese.

But Mr Jayawardene refused to agree to amend the legislation, and only said there would be more discussions "after parliament had passed the bills."

"Some points on the devolutionary package have been resolved. On others, they have assured us that they will look into them," said Mr Gandhi.

Mr Jayawardene is also under pressure over the bills at home, where anti-UNP anger over accumulated grievances is boiling up. The Opposition has seized on the "peace accord" as an ideal rallying point, and sought to challenge the bill's constitutionality.

On Friday, the supreme court gave its ruling on the issue, the full contents of which will not be known until Tuesday. But at least one Sunday newspaper reported that the judges were divided five to four in favour of the bill.

The proposed legislation needs a two-third majority in Parliament. With an overwhelming 140 votes in a house of 168, the UNP has no worries on that count. But the government's parliamentary strength is deceptive, and its position vulnerable to mounting electorial pressures.

Jayewardene:under pressure

World Bank aid for India

BY JOHN ELLIOTT IN NEW DELHI

THE WORLD Bank plans to increase its aid to India by $400m-500m this year to help the country overcome the effects of a drought which is expected to add about $1bn to the annual balance of payments deficit and almost halt economic growth.

The aid includes a new $350m quick-disbursing loan to finance imports such as edible oil, fodder, and petroleum products which are needed urgently to couneract the drought. Other bank aid is to be speeded up.

Announcing the loan in New Delhi over the weekend , Mr Barber Conable, president of the World Bank, said he had offered the bank's help in a letter to Mr Rajiv Gandhi, Indian Prime Minister. This was "on the basis of the long relationship between the Bank and India which is our largest borrower". The extra funds were to "help India maintain its growth rate" and to offset the risk of it "coming under pressure not to import the elements of growth".

A statement issued by Mr Conable said that India's growth of Gross Domestic Product in the current year was expected to be "negligible" and that agricultural output "could well decline by 10 per cent". Last year GDP grew by 4.5 to 5 per cent and the agricultural sector by 1 per cent. The net cost of the drought on the balance of payments was expected to reach $1bn "over the next 12 months or so".

Conable:offer to Gandhi

It is understood that Mr Conable and his colleagues seized the opportunity of the drought to demonstrate that changes this year in the bank's management had not altered its allegience to India.

Mr Conable praised Mr Gandhi, with whom he had lunch last Friday, for his continuing commitment to economic liberalisation. Mr Gandhi's "perspective is refreshing, his interests widespread", said Mr Conable, who is in India on a five-day visit.

India now expects to receive more than $1bn in fresh or accelerated aid during the coming 12 to 18 months to help with the economic costs of the drought.

Opposition set to 'lay siege' in Dhaka

BY SAYED KAMALUDDIN IN DHAKA

UNCERTAINTY gripped Bangladesh's capital yesterday as the mainline opposition alliances demanded President Hussain Mohammad Ershad's resignation and prepared to lay a "siege in Dhaka" tomorrow.

The alliances have still not announced their concrete programme for the day of opposition to the president's administration, which has sparked widespread rumours in this politically volatile country, further contributing to tensions and uncertainties.

A potentially violent situation was averted yesterday when the ruling Jatiya Party, the Awami League-led eight-party alliance and the Bangladesh Nationalist Party seven-party alliance put off three seperate rallies in the city scheduled for the same time.

Meanwhile, three people were shot in the southern town of Barisal when demonstrators clashed with police, Awami League officials said. Police said they were still awaiting details. The procession was held as a protest at the death of a student leader. Further protest *rallies in Barisal and elsewhere* are expected today.

The government has planned to stop running all state-owned communication systems - railways, bus and steamer services - from today, to prevent people coming into the capital.

The capital's two universities and all colleges have been closed for one week and students asked to vacate their dormitories. This came as a surprise because for the first time in many years, Dhaka University campus - a hotbed of politics - remained calm.

Mr M.A. Matin, the home affairs minister,said that so *far, 600 political workers had been* arrested under the Special Powers Act, of whom 250 were from Dhaka alone. However, headmitted that other people were being arrested daily on "specific charges."

Under the Special Powers Act, anybody can be kept in detention for one month without any specific charge. The opposition parties claim over 5,000 political workers have so far been arrested, which the government denies.

Dublin to fight VAT on horses and hounds

By William Dawkins in Brussels

THE Dublin Government is fighting tooth and nail to delay a European Commission proposal to impose VAT on Irish greyhounds and thoroughbred racehorses.

The threat comes in the form of a Commission plan to scrap many of the VAT exemptions European Community member-states are allowed to set for goods and services from football match tickets to travel agents' fees.

If Dublin loses the fight, it would be a severe blow to the thousands of citizens who breed greyhounds in their back gardens in the hope of one day producing a winner.

Brussels wants to scrap a wide range of these special exemptions as soon as possible, in line with its campaign to achieve a barrier-free internal market for EC citizens and their animals by 1992.

The tax position of Irish greyhounds and thoroughbreds has been a controversial point at meetings between national officials of the 12 member-states over the past few days. They have been struggling to agree a list of previously exempt items, including British cultural and sports services, to come into the VAT net, in time to be sanctioned by the next meeting of EC Finance Ministers on November 16.

The Irish argue that the imposition of VAT on racing beasts by the January 1 1989 deadline set by the Commission could create domestic political problems, but that Dublin might be able to introduce the tax two years later, in January 1991. "We accept the fact that we must end these special exemptions, but we are talking about something that is very close to people's hearts and extends across all classes," said one Irish official.

His counterparts in Britain - where greyhounds attract VAT - are less sympathetic. They want a quick end to what they see as an unfair advantage for Irish bloodstock.

Dublin's argument is that Irish greyhounds are in any case naturally superior and that it is their owners who need careful handling in the transition to VAT.

The current betting is that EC ambassadors will accept Ireland's case

French court ruling threatens position of magistrates

BY GEORGE GRAHAM IN PARIS

FRANCE'S magistrates have been thrown into turmoil by a decision of the country's Supreme Court which appears to threaten their shaky independence from political pressure.

The court has suspended Mr Claude Grellier, a *juge d'instruction*, or investigating magistrate specialising in media affairs, from a case involving allegations of corruption at the CNCL, the French national broadcasting authority.

The suspension of an investigating magistrate is highly unusual - lawyers can think of only one recent precedent, in very different circumstances - and has been criticised as undermining the credibility of the judicial system.

"The accused has set out to create by himself, deliberately and artificially, the conditions for suspending the judge from his case. Such a perversion of *the natural order of things* is not acceptable," France's prosecutor general said, according to the newspaper Le Monde, in arguing against the suspension.

It is viewed as highly unusual for Mr Pierre Arpaillange, the prosecutor general, to intervene in person, and indicates the concern felt in many sections of the judiciary at the precedent that could be set.

"I am worried that our judges should be reduced to the role of the Republic's clowns, that they should be attacked and insulted by people who perhaps do not have the same love of just and the same impartiality," Mr. Arpaillange is reported to have argued.

Mr Grellier had charged Mr Michel Droit, a right-wing journalist and litterateur named as a member of the CNCL by the Academie Francaise, with abuse of authority - as rare a piece of jurisprudence as the judge's suspension - in favouring a pro-right station in the distribution of Paris's overcrowded radio wavelengths.

Mr Droit immediately countercharged, winning the suspension of Mr Grellier's investigation. The supreme court is to decide on December 10 whether the judge *should* be *finally* removed from the case.

The problem for the supreme court was that the position of the *juge d'instruction* - part-magistrate and part-prosecutor - means that the filing of charges is often accompanied by a public presumption of guilt, which weighs heavily on someone in Mr Droit's position.

The case deals another knock to the *juges d'instruction*, who have in recent cases such as the Luchaire illegal arms sale investigation or the Carrefour du Developpement scandal found their access to information blocked by the government.

The whole "instruction" process is in doubt, since the government plans to introduce a structural reform which would substantially reduce the investigating magistrate's powers. But the Justice Minister's original proposals were withdrawn last week after criticisms of their constitutionality.

Turkish exporters jailed

BY DAVID BARCHARD IN ANKARA

THREE Turkish exporters have been jailed for 10 years for making fictitious export returns in order to claim government subsidies.

Ibrahim Guven Dikmen, Mumtaz Yurdakul, and Ali Dinsever were accused of fraudulently claiming to have exported building materials from Izmir to Italy last year.

Though none of the three men is well known, their conviction has caused some surprise in business circles as fictitious exports claims are thought to be fairly common and offenders have seldom faced serious legal consequences.

● More than 2m Turks yesterday regained the right to vote after being disenfranchised by the military in 1982 for boycotting a referendum that year.

Turkish radio and television yesterday broadcast appeals to persons covered by the ban to register within the next week to be able to vote in the general elections on November 29.

Italian budget storm likely

By John Wyles in Rome

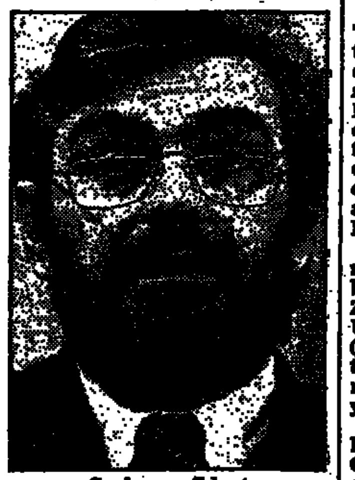
THE Italian government's second attempt of the autumn to assemble a credible budget proposal for 1988 should be largely completed tomorrow, leaving ministers to face a shower of complaints from both sides of industry.

But hostile reaction to the revised version of a budget first adopted at the end of September - which may eventually include a trade union call for a general strike - will be only one of several political burdens under which the government led by Mr Giovanni Goria is visibly bending.

Assuming that the referendum ending today strikes down existing legislation on nuclear energy and the responsibility of magistrates, Mr Goria's coalition will need to overcome serious internal differences over the new policies to be adopted in these areas.

Mr Goria remains outwardly confident that his government can cope on this front, but it is beginning to show real signs of wear and tear as a result of accumulated stress.

Ministers have still not found a response to the waves of strikes hitting public transport services and which will move into the schools next week as rank-and-file movements continue to assert their independence of official union leaderships.



Goria: confident

Mr Bettino Craxi's socialists have blocked a limited proposal from Mr Goria which would have required 15 days' notice of strike action, insisting that the government must seek an agreed approach to regulating public sector strikes with the trade unions.

After intensive efforts over the past week, the cabinet is expected to adopt a new budget deficit target for 1988 of around L104,000bn(£53bn)-105,000bn instead of the earlier L109,500bn. Economy ministers still insist there was nothing wrong with their original strategy, claiming that changes have been forced on them by the turbulence in financial and currency markets lowering the growth prospects for the world economy.

They have decided to scrap one percentage point increases in VAT which might have been excessively inflationary, and to postpone many long-promised revisions of tax rates which might have given too much of a stimulus to domestic demand.

Earlier reductions in company's social welfare payments have also been halved. Family allowance increases, however, are being retained and brought forward from next July to next January).

Alexander Nicoll examines Brazil's interim agreement with the creditor banks over interest payments

Downgrading deadline concentrates many minds

BRAZIL and the creditor banks have taken the first tentative steps towards a rapprochement, through the interim agreement on Friday to end the country's eight-month moratorium on interest payments on the foreign debt.

However, they have not solved any of their fundamental differences. If they do not do so by next June, the interim deal will fall apart.

Given the confrontation in existence since the suspension of payments in February, it is important that both sides have gone as far now as they have. As with many deals in the five-year history of the debt crisis, it was a US regulatory and accounting deadline which concentrated sufficient numbers of Brazilian and bankers' minds.

The upshot is that Brazilian loans will not be downgraded by US regulators at present, so US banks will not have to make specific provisions amounting to 10 per cent of their Brazilian exposure.

Unlike the general provisions which these banks have already made this year, such specific provisions could not be counted as part of their primary capital. Normalisation of Brazil's relations with its banks then would have been very difficult to achieve. Short-term credit lines would have been further eroded.

The Friday agreement effectively stops the interest payments hiatus at the beginning of last month. It establishes arrangements for Brazil to pay the $1.5bn interest said to be due from October 1 to the end of the year, and to pay interest from January as it comes due.

Clearance of the $3bn of arrears on payments from late February to the end of September, however, will depend on an agreement on a longer-term finance package.

The details of the accord are as follows:

Banks will advance $1bn to Brazil in December; Brazil will pay $1.5bn of interest; terms of a longer-term deal are due to be agreed by January 15; a "critical mass" of creditor banks would commit itself to take part in it by March 15, and it would become effective by June 16.

Banks would then advance another $2bn in short-term funds and Brazil – which meanwhile would have been keeping interest payments current since January – would pay the remaining $3bn of interest arrears. Also meanwhile, banks would maintain about $14bn of short-term trade credit and interbank lines.

The $3bn of short-term bank loans would be repayable by June 30, 1988, at which point they would be superseded by the medium-term finance package. The short-term finance would carry interest of ⅞ of a percentage point above money market rates, as well as a ⅛ fee and a ⅛ or $\frac{1}{16}$ early participation fee.

A core group of perhaps 70 creditor banks, accounting for the bulk of exposure to Brazil, would be asked to take part in the short-term loan.

It cannot be taken for granted that banks will agree to take part in this bridging finance. Many – especially non-US banks not subject to severe accounting pressures – have been against a quick interim deal.

They may also object to funding interest payments to other banks. There are also likely to be the familiar arguments about how much each bank should put up.

Against criticism that the deal was simply patched together in Washington and so has little substance, bankers on the advisory committee point out:

●Brazil will resume paying interest and banks will finance only two thirds of 1987 interest payments, instead of the 100 per cent demanded by Brazil.

●Brazil has undertaken to seek an agreement with the International Monetary Fund. This could reduce the possibility that banks would finance Brazilian repayments to the fund.

●The interim deal, though it contains a $1bn loan in essence without strings, is predicated on a timetable leading to a full-scale agreement and thus can be argued to have value beyond the simple avoidance of an accounting deadline. The bridge, in bankers' parlance, should lead somewhere.

However, the wording of the Friday agreement underlines the differences between the two sides and the likely difficulties in reaching a longer-term accord.

Brazil agrees to go to the IMF but the statement included a paragraph reiterating Brazil's belief that "it is not in the interest of a satisfactory economic adjustment that disbursements by the international financial community be delayed by shortfalls in compliance with ongoing programmes sponsored by multilateral institutions."

In other words – no linkage between IMF agreements and bank deals.

The statement contained no reference to Brazil's economic condition. Many bankers feel strongly that no agreement should be reached with Brazil until its economic house has been put in order convincingly, and they are uncomfortably aware that, given Brazil's domestic political situation, this could be a long way off.

So, despite the new agreement, normalisation of Brazil's relations with its creditors may also be a long way off.

ANGER OVER ACCORD WITH CREDITOR BANKS

Brazilian politicians have greeted the country's provisional accord with its commercial creditor banks with a mixture of surprise, confusion and anger, Ivo Dawnay reports.

Members of the dominant Democratic Movement Party (PMDB) appear uncertain as to whether it represents an end to the interest payments moratorium on $68bn in longer terms declared last February.

There are also fears among hardliners that the deal breaches their most sanctified principle - no return to supervision by the International Monetary Fund (IMF).

Mr Luiz Carlos Bresser Pereira, Finance Minister, has attempted to assure his party that the interim accord does not represent an end to the moratorium, which remains in place until a long-term rescheduling agreement is approved.

Presenting the deal as a "victory," he has also given assurances that Brazil remains firm in its refusal to accept an IMF accord as a prior condition to final agreement in the forthcoming talks.

many politicians are convinced that intolerable concessions have been made by the small Brazilian negotiating team. Several have described the agreement as unacceptable.

Argentine inflation highest in 2½ years

By Tim Coone in Buenos Aires

ARGENTINA'S inflation figures leapt to their highest level in two and a half years last month, partially as a result of the government's new economic measures which have been designed to reduce the fiscal deficit.

Official figures published over the weekend show retail prices rose by 19.5 per cent during October, while wholesale prices rose by a record 30.4 per cent, the highest rates since June 1985 when the so-called Austral Plan was introduced, and which led to a year of relative price stability.

The principal causes of the leap appear to be the inertial effects of important pay and price rises authorised during September, and the new economic package launched last month, which made major upward adjustments in public utilities and transport tariffs, a 27 per cent devaluation of the Austral currency, and across-the-board price increases authorised to industrial producers prior to the announcement of a new price and wage freeze.

The government is hoping that the new measures, after the initial shock, will produce another period of relative price stability.

Economy ministry officials say their immediate target is to bring retail price increases below 5 per cent a month.

The good news for the government has been the announcement in Washington last Friday, of the IMF waiver on Argentina's standby loan.

This will release not only a disbursement of $215m by the end of the month, but also a bridging loan of $500m being arranged by the US government and an estimated further $500m out of a $1.95bn loan and debt refinancing package.

Talks fail to end township fighting

BY ANTHONY ROBINSON IN JOHANNESBURG

THE VICIOUS in-fighting between rival warlords for political control over black townships in the Durban and Pietermaritzburg areas of Natal claimed five more victims over the weekend, despite a top-level peace meeting between Zulu chief Mangosuthu Buthelezi and clerics led by Archbishop Desmond Tutu on Friday.

The meeting was aimed at seeking an end to the fighting between groups linked to the Zulu Inkatha movement and the United Democratic Front (UDF), which has simmered for the last two years and led to more than 150 deaths so far this year.

At a press conference in Johannesburg on Saturday, Mr Govan Mbeki, the veteran African National Congress (ANC) and Communist Party leader, who was released last week after 23 years in jail for sabotage, said that bringing an end to the fighting was a high priority for ANC leader Mr Nelson Mandela. The two men met for an hour in Pollsmoor jail on Thursday before Mr Mbeki's release. In response to questions, Mr Mbeki said he would personally be prepared to go to Pietermaritzburg if this would help to end the violence.

Mr Mbeki returned to Port Elizabeth yesterday and is expected to receive a warm welcome when he returns to the nearby township of New Brighton, where he will live. At his press conference, he revealed that he had spoken several times by telephone to his son, Mr Thabo Mbeki, and other senior executives of the ANC leadership in exile and hoped to get Pretoria's permission to fly to Lusaka to meet them shortly.

The Minister of Justice, meanwhile, has confirmed that, although Mr Mbeki was released unconditionally from jail, he remains a 'listed person' because of his admitted Communist beliefs and, therefore, cannot be quoted in South Africa without prior permission. This fact, and the continuance of the state of emergency, is expected to limit effectively Mr Mbeki's future role inside South Africa.

No such restrictions apply to the utterances of Chief Buthelezi, a fierce critic of the ANC leadership in exile, who has consistently called for the release of jailed ANC and other black leaders, however, as a precondition for agreeing to take part in Government-sponsored negotiations. These are aimed at hammering out a power-sharing agreement which Pretoria hopes will lead to moderate blacks accepting a gradualist timetable which would leave whites in control of the main levers of power for decades.

Chief Buthelezi, who questioned the impartiality of Archbishop Tutu and other clerics before last Friday's peace talks, has welcomed the release of Mr Mbeki and urged the Government to follow this up with the release of Mr Mandela and other black leaders.

Chief Buthelezi has indicated that, once jailed leaders are released and their organisations unbanned, he would feel free to participate in negotiations with the Government ,whether the ANC decided to take part or not.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E.Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: D. Albine, Frankfurt/Main. Guiollettstrasse 54, 6000 Frankfurt am Main 1, Tel: 75980; Tlx: 416193; FAX: 722677. © The Financial Times Ltd, 1987. FINANCIAL TIMES, USPS No 190642, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage and at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 44 East 60th Street, New York, NY 10022.

Kabul rebel force 'crushed'

AFGHAN armed forces destroyed a 170-strong group of Western-backed rebels in Farah province, bordering Iran, the official Kabul radio said yesterday, Reuter reports from Islamabad.

The rebels were intercepted recently while transporting sophisticated US weapons and ammunition, the radio said

The brief report did not give casualty figures, saying only that the group had been 'crushed'.

Search for Malawi aircraft

THREE British business executives and a South African are among 10 people missing aboard a Malawian charter plane apparently shot down on Friday over Mozambique, Reuter reports from Lilongwe.

The official Malawi News Agency (MANA) said they were on board an Air Malawi Skyvan reported missing between the southern Malawian town of Blantyre and the capital Lilongwe on a route that passes through Mozambican air space.

The aircraft did not make its scheduled contact with ground control halfway through the one-hour flight, and Malawi authorities asked Mozambique to help search for it, MANA said.

On Saturday Maputo Radio said Mozambican armed forces shot down an aircraft violating Mozambican air space in the Ulongue district of Tete province.

Ulongue is about 20 km from the Malawi border, in an area of conflict between Mozambican forces and right-wing rebels.

Relations between Mozambique and Malawi were strained until a year ago after Maputo accused Malawi of supporting the rebels.

Ties have improved this year and Malawi has sent several hundred troops to Mozambique to help protect the northern rail link to Nacala port.

MANA said the aircraft ,with a pilot, stewardess and eight passengers, was chartered by the Ethanol Company (Malawi).

It listed the passengers as Britons R.H.M. Jager, A. Ramsey and C. Everitt, South African C. Tomaselli and Malawians W. Salima, Miss E. Jana, A. Kasambala and W. R. Makhalira.

OVERSEAS NEWS

Syrian leader likely to dominate Arab emergency summit

BY TONY WALKER IN AMMAN

AN EMERGENCY Arab summit, which began in Amman yesterday, was likely to be dominated by the ruler of a near-bankrupt state, whose support of Iran in the Gulf war has deeply angered regional neighbours.

President Hafez al-Assad of Syria should be contemplating censure by his fellow-Arab Heads of State. Instead, it is likely he will play a grudgingly respected role in summit deliberations.

'People were saying that Assad would be weakened by the economic crisis at home, and his difficulties in bringing order to Lebanon, but I don't agree,' said a Western official. 'In fact, his position is not as weak as it seems.'

The official noted that Syria had for the past year been 're-orienting' its foreign policy in an effort to build bridges to its Arab brothers. It was anxious not to be regarded as the 'Libya of the Levant.'

President Assad may well use his relationship with leaders in Tehran to his advantage, arguing - as he has done frequently in the past - that only Syria among Arab states is in a position to restrain Iran.

It was notable that in the build-up to this special summit, there was frequent contact between Syrian and Iranian officials, including a visit to Damascus two weeks ago by MrMir-Hossein Moussavi, Iran's Prime Minister. Observers in Amman assume 'understandings' were reached between Syria and Iran relevant to likely summit deliberations.

Mr Assad's aims can be summarised as a desire to ensure that any discussion about the Arab-Israel dispute takes full account of Syria's suspicions that the US may seek to isolate it in the peace process if one were ever to get under way, that a Gulf war resolution does not close the door to further mediation, that Arab financial support for Syria be maintained, and that Egypt remain excluded from the Arab League.

Syria's leader will probably also be seeking Arab support for his efforts to bring order to the chaos in Lebanon.

Mr Assad, one of the longest-serving Arab leaders, will not expect, according to observers, to escape completely unscathed from the summit. He may well prove more flexible on the critical issue of the Gulf war than anticipated.

With the arrival yesterday of the Libyan delegation, a full complement of 21 Arab League states are attending the summit hosted by King Hussein of Jordan.

Not all delegations, however, are led by heads of state. Notable absentees are King Fahd of Saudi Arabia, Col. Muammar Gadaffi of Libya, and King Hassan of Morocco. King Fahd's absence robs the occasion of some importance.

The presence of the pro-Syrian Prince Abdullah at the head of the Saudi delegation adds weight to the view that Mr Assad will have an easier time than might have been expected.

A feature of the summit may well turn out to be the clash of strong personalities - Mr Assad against Iraq's President Saddam Hussein, both leaders of rival wings of the Arab Ba'ath Socialist Party.

Abu Nidal seizes 8 European hostages

By Andrew Whitley in Jerusalem

A YACHT carrying eigh' Europeans, including two children, is reported to have been seized in the Eastern Mediterranean by the Abu Nidal guerrilla group, in an apparent bid to embarrass the Arab league summit conference, which opened in Amman yesterday.

But claims in Beirut by an Abu Nidal spokesman that six of the hostages – five Belgians and a French woman also carried Israeli nationality were being discounted last night. Computer checks in Isreal of the names released by the group were said to have drawn a blank.

Mystery, meanwhile, surrounded the obduction of the yacht, the French-registered Silco, said to have been flying the Israeli and Belgian flags.

While the extremist Palestinian group claimed that the 17 ton boat had been seized off the Israeli-occupied Gaza Strip, Western diplomats said it was more likely that the Silco had been sailing between Cyprus and the northern Israeli port of Haifa. Nor was it clear when the incident took place.

The Israeli authorities last night responded to the news with a mixture of puzzlement over the contradictory details and relief that, on first appearances, no rerun of the 1985 Achille Lauro liner hi-jack appeared imminent.

There was speculation that those holding the yacht's passengers may be trying to force the release of some of the 4,000 Palestinian prisoners in Israeli jails. But, if none of the hostages are Israeli or Jewish, the Israeli Government is unlikely to get involved in the affair.

Andrew Whitley reports on the inspiration and growth of Islamic Jihad

Resistance for Allah and a homeland

'Khayba, Khayba, O ye Jews!
The army of Mohammed will return!'

Manacled to prison guards, the bearded defendants repeatedly chanted this rhyming couplet in Arabic, defiantly taunting the Israeli army judges and prosecutor at their recent trial.

It was at the Khayba oasis, in 628 AD, that the newly-organised forces of the Prophet crushed a Jewish tribe then living in the Arabian Peninsula. By reviving the memory of the battle and linking it to their own struggle against Israel, the young Palestinians were making an unmistakeable political point: their captors may have the upper hand for now, but the power of Islam would be irresistible in the long run.

In a smart, newly-completed mosque complex, a few hundred yards from the squalor of a beachside refugee camp in Gaza City, Sheikh Abdul-Aziz Owdeh spelled out to a visiting journalist last week the trenchant doctrine which has made him one of the most influential spiritual leaders in the occupied territories.

"God says that, if Moslems are attacked or their lands are occupied, they have the right to resist with all possible means. Jihad is undertaken for the sake of God, to defend the rights of Muslims to a homeland, as the Koran explains," he says. Occupation, resistance, homeland – all the key emotive words, wrapped in divine blessing, in one nugget. Sheikh Owdeh's political genesis in Egypt during the 1970s, where he studied Islamic law, is common to that of many of the new breed of Gazan militants.

Even so, the literary influences on this intense, articulate man are eclectic, to say the least. He is an admirer of Dr Ali Shariati, the late Iranian revolutionary theologian whose writings were seminal to the Khomeini revolution. Also, paperback copies of Shakespeare's Othello – in English and Arabic – were on the table of the small bare room.

The bard as a revolutionary? Perhaps inspiration was being drawn from the 'noble Moor'. But what about D.H. Lawrence's England, my England, which lay beside these books? That was an unsolved mystery.

Mr Yitzhak Rabin, Israel's Defence Minister, argued the other day that "Islamic Jihad" – the label which a growing number of Palestinian fighters in the occupied territories is adopting – was indistinguishable from the Palestine Liberation Organisation. "All the operations carried out by the so-called Islamic Jihad were organised by the PLO's Western Sector Command," he said.

Although they claim to have detected close organisational links with the PLO, particularly through Jordan, Mr Rabin's own experts would not go so far. Struggling to come to grips with a new phenomenon, the Israeli security forces are still unclear about its full extent or threat.

Is Fatah, the mainstream PLO faction headed by Mr Yasser Arafat, returning to its leaders' 1950s origins, in the shadows of the fundamentalist Moslem Brotherhood organisation in Gaza? Or did the PLO decide recently to hitch a ride on an indigenous, grassroots movement owing no loyalty to the PLO's own traditional vanguard role?

The answer may well be a mixture of both. "What we can say for sure is that there is a slow, strong upward trend. It's a growing power that must be contained," commented one senior Israeli officer.

Israeli Arab-watchers and Palestinian activists agree on two key points. First, there is no connection other than the name and a broadly similar philosophy between the underground Lebanese organisation called Islamic Jihad and its Palestinian counterpart. The former is mostly Shi'a Moslem in membership and has close ties to Tehran; the latter is exclusively Sunni and appears to be largely self-financed and self-armed.

The second generally accepted point is that, even more than in Lebanon, Islamic Jihad is not so much an organisation with a chain of command and a rigid cell structure as a diffuse movement which has taken many guises. Some go further and say it is only an ideology or doctrine – albeit one which commands a high degree of loyalty and fanaticism from its adherents, most of whom came of age politically during the Israeli occupation of the past 20 years.

> By reviving the memory of the Khayba oasis battle, young Palestinians were making an unmistakeable political point: their Israeli captors may have the upper hand for now, but the power of Islam would be irreversible in the long run

Mr Rabin airily dismissed the phenomenon as "a wave which after a while will go down." But what ought to trouble the Israeli government is that, after a long period of relative domestic tranquillity, Islamic Jihad represents a qualitative change in the nature of Palestinian local resistance.

Its stronghold is in Gaza, particularly within the Saudi-financed Islamic University, the scene of many pitched battles between students and soldiers. However, Israeli Defence Ministry analysts believe the movement has recently established deep roots in Arab East Jerusalem as well.

In the more secular West Bank, as in Gaza, Moslem activists have been making over the past two years a determined onslaught on the region's universities, leading to frequent internal clashes with traditionally minded nationalists.

Clandestine pamphlets showing the potent symbols of each group – usually Korans and guns, or fists held aloft, superimposed on a silhouette of Palestine – demonstrate their combined political and religious goals. Although the authorities say they have been aware of its existence for about three years, the first action which brought the name Islamic Jihad to public attention in Israel was the grenade attack on a crowd of soldiers and their families outside the Old City's Dung Gate in October 1986.

Since that attack, in which one person was killed and more than 70 injured, a spate of other incidents has shown a similar boldness, and a willingness where necessary to take on Israeli troops.

The security forces responded with two big round-ups, each of about 50 individuals, in the Gaza Strip. The first was in December 1986 and the latest just two weeks ago. When six ringleaders escaped from jail in May and then carried out other killings, including that of a military police commander in Gaza, the prestige of the movement among Palestinians soared. It declined again last month, with the deaths in shoot-outs of three of their number.

What makes Islamic Jihad possibly more dangerous than any previous opposition Israel has faced is its followers' willingness, even eagerness, to die for the cause. "Through Jihad (the Islamic concept of a holy war) Moslems will either gain victory or become martyrs," said Mr Assad Siftawi, a former senior Fatah leader in Gaza and father of one of the six escapees. "People have come to see that Islam is the road to liberation and the recovery of our lands."

By comparison with other Arabs, Palestinians have never been considered overly religious. Exposed successively during this century to British, Israeli and American influences – the latter mainly through emigration – they were long judged a mainly secular, cosmopolitan people who would not fall prey to obscurantist forces.

That judgement may now have to be reassessed. In Islamic Jihad, a still evolving movement, ardent nationalism and fundamentalism have combined in a potentially lethal brew which some Israeli strategists have long feared.

Among its godfathers were the success of the Islamic revolution in Iran, frustration with the concessions that the PLO has appeared willing to make to Israel since 1982, and the way in which Lebanese suicide bombers harried Israeli forces out of parts of Lebanon in 1984 and 1985.

"I am a Palestinian Moslem," said Sheikh Owdeh. "I see Palestine as the most important homeland in the Moslem world, and I hope an Islamic state will be established (here). We are dreaming of it."

Arafat appeals to Israelis

MR YASSER ARAFAT, leader of the Palestine Liberation organisation, has appealed to Israelis to help him solve the conflict between their two peoples, the Israeli Communist Party said yesterday, Reuter reeperts from Jerusalem.

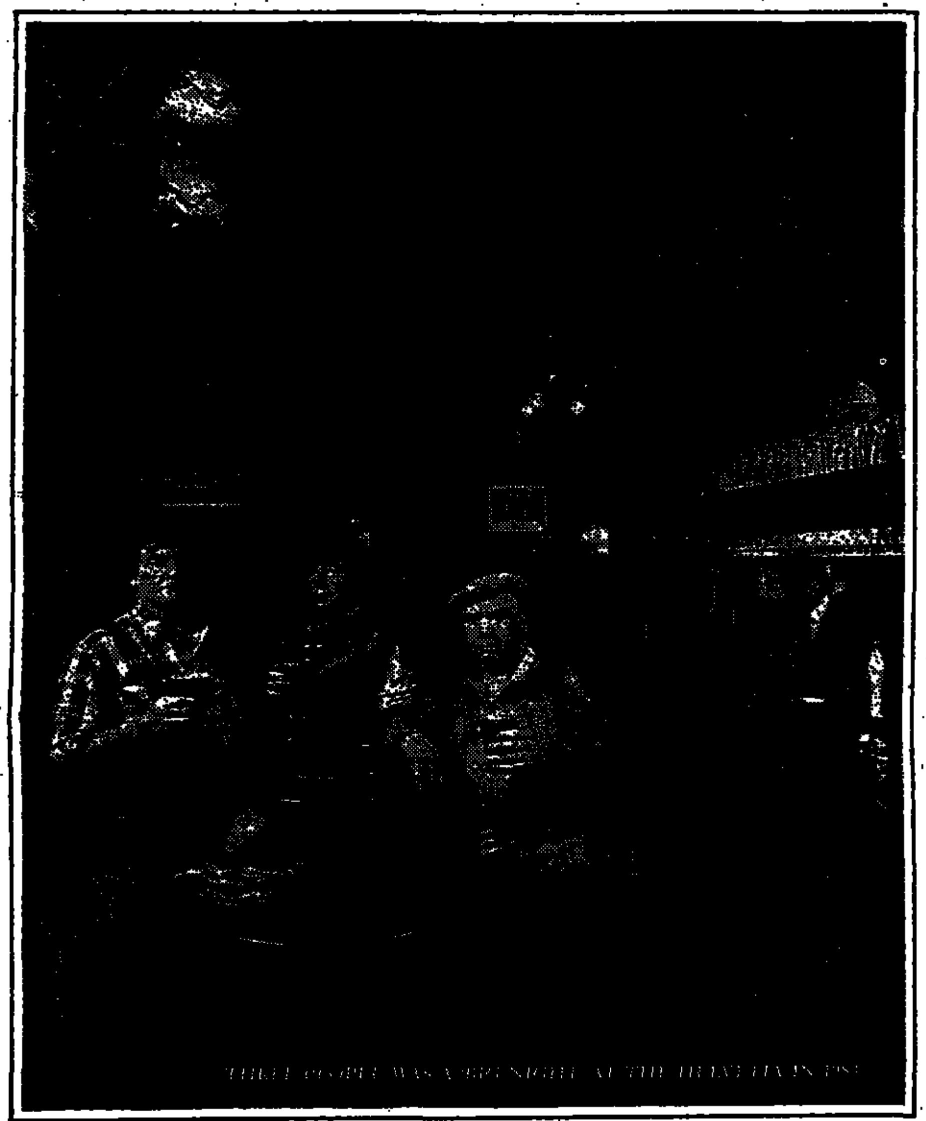
"I appeal with an open heart to the people in Israel so they will know – it's impossible to wipe out 5m Palestinians and their national rights, just as it's impossible to wipe out Israel," he told the party's weekly bulletin.

"A just solution must be found for the good of both peoples," he was quoted as saying.

The bulletin said Mr Arafat expected the Arab summit in Amman this weekend to support the convening of a UN-sponsored Middle East peace conference attended by all involved in the conflict, including the PLO.

SOME OF OUR PUBS HAVE BECOME A LOT MORE SUCCESSFUL SINCE WE ADDED GROUND COFFEE, BROCCOLI AND GRUYÈRE TO THE BEER.

It's certainly been a recipe for success in Soho. In 1983, The Helvetia in Old Compton Street, was one of those pubs where three pints of bitter and a packet of cheese and onion crisps was a big order. Today on the same site, expensively padded shoulders jostle with each other at the bar, for another couple of champagne cocktails before dinner.



In three years the Soho Brasserie has paid back every penny we invested in it and established itself as what one magazine described as, 'the Rovers Return of the media set'. And it's a perfect example of the way we've been looking at our 6900 pubs. Not of course that we intend to put brasseries on every street corner.

The Soho Brasserie is just one result of our policy of researching what's missing in an area, then building it. In Watford, we discovered what would get people out for the night was a night spot. So we converted a large roadhouse pub into The Gamebird. It's now a thriving, jiving success turning over £750,000 a year.

And in Bolton, we found what they were crying out for was a really traditional pub. The Howcroft is now packed every night and has anything but traditional profits. In the last few years we've spent £270 million on our pubs. And in some places we noticed the last thing people wanted was another pub. So we've turned them into café-bars, restaurants or wine bars. And giving people what they want really pays off.

Our profits have never been higher. The success of places like the Soho Brasserie is all part of our commitment to our role as a leading international food, drink and leisure group. Which is of course, of little consolation to our competitors.

So we offer them this advice. To achieve our success, start by discovering what's missing from your beer.

Allied-Lyons

French expansion 'likely to decelerate'

By Ian Davidson in Paris

The French economy is likely to slow next year with a growth rate of only 1 per cent, compared with 1.6 per cent for 1987, according to the latest calculations by BIPE, one of the leading private forecasters.

The projected growth rate for 1988 would be about one-half of a percentage point less than that previously forecast by BIPE, in June, as a result of the recent international stock market and financial crisis.

It would also be well below the French Government's recent projection of 2.2 per cent growth in 1988.

The BIPE forecast puts the 1988 French trade deficit at FFr40bn (£3.94bn), compared with a probable FFr35bn for 1987.

Satellite station order for Norway

EB NERA, a subsidiary of Norway's Electrisk Bureau, has won a NKr60m (£6m) contract to supply China with an Earth satellite station to be connected to the Inmarsat world satellite system, Karen Fossli reports from Oslo.

Low investment growth forecast for W Germany

BY DAVID MARSH IN BONN

CAPITAL investment by West German industry is likely to grow by only 1 per cent in real terms next year, indicating that the economy is decelerating further, according to the Munich-based IFO economic research institute.

The forecast, resulting from the institute's regular autumn survey of 3,350 companies in manufacturing industry, compares with an expected real investment increase this year of 5 per cent, the institute said.

In 1985 and 1986, the companies surveyed by IFO registered double-figure growth rates in real investment.

The survey was carried out before the latest unrest on international financial markets, *in particular the sharp fall in* the dollar against the D-Mark. In view of the export dependence of West German industry, economists expect this turbulence to have a further depressing effect on industry's investment behaviour next year.

Manufacturing industry makes up about one quarter of total fixed capital investment throughout the West German economy. According to last week's report from the country's five principal economic research institutes (including IFO), total capital investment next year is likely to grow by 2 per cent in real terms after 1 per cent this year, with investment heavily depressed by the downturn in the building industry.

Total investment on plant and equipment next year, according to the five institutes, is expected to rise by 3.5 per cent in 1988 after 4 per cent in 1987, with construction investment rising 1 per cent after a similar fall this year.

IFO said the slowdown in investment spending was concentrated on the capital goods industry, which is one of the mainstays of the country's economy. Investment to expand capacity will become still less important next year, according to the survey. Only 32 per cent of companies said their 1988 spending was earmarked for expansion, with 47 per cent concentrating on rationalisation and 21 per cent aiming to replace equipment.

Bonn uncovers steel smugglers

BY LESLIE COLITT IN WEST BERLIN

BONN authorities have uncovered a steel smuggling racket involving the sale by European steel traders of more than DM200m (£69m) of East German steel in western Europe, the US and Turkey in 1985 and 1986.

The companies are accused of selling the steel, having given it an European Community country of origin in order to evade the Community's quota of East German steel. The steel traders include 'big name' companies, according to the customs office of the Finance Department in Duesseldorf which is leading the investigation.

A department official confirmed that 160,000-200,000 tonnes of East German steel worth up to DM170m (£58m) had been "smuggled" into EC countries, and that another 74,400 tonnes of East German steel was sold in the US, probably as steel from the European Comunity. In addition 51,000 tonnes of the contraband steel were exported to Turkey with false papers.

The department said that, all told, it was investigating the whereabouts of 900,000 tonnes of East German steel shipped from the West German free ports of Luebeck and Hamburg last year and in 1985. East Germany produces nearly 8m tonnes of steel annually.

One of the West German steel traders being investigated was said to have paid DM100,000 to a Swedish business partner at Duesseldorf airport to obtain falsified shipping papers needed to import 3,300 tonnes of East German rolled steel into West Germany. A total of 33,000 tonnes of the illegal steel were sold in West Germany.

Officials said ship captains were ordered to change course while at sea and to alter their logs. West German customs was notified about one shipment of steel allegedly bound for Norway which however landed in Rotterdam. Four of the steel trading companies involved have agreed to pay fines totalling DM685,000.

A Finance Department spokesman noted that one tonne of rolled steel from East Germany cost about DM700 compared with DM900 for EEC steel. The DM200 difference compared with a profit margin of less than DM10 per tonne of legally-sold steel.

A spokesman for the Inner German trade office in West Berlin, which supervises West Germany's barter-like trade with East Germany, claimed East German officials were fully aware of the quotas on steel deliveries to the West and to this extent, were thus 'involved'. The affair could have 'consequences' for trade relations between the two German states, he added.

No tariffs are levied on trade between East and West Germany but Bonn imposes quotas on East German steel as well as some other products. EC countries have in the past complained about East German goods obtaining access through West Germany to other EC countries, but Bonn said such misuse was rare.

Any proof of East German involvement could harm that country's negotiations to conclude a trade agreement with the European Community.

Lisbon sees GDP up by 3.75% next year

By Our Lisbon Correspondent

THE LISBON Government has announced optimistic economic growth targets for 1988 focused on bouyant capital investment and exports allied to a reduction in domestic consumption and a sharp fall in imports.

The economic plan that will serve as a framework for the 1988 budget forecasts Gross Domestic Product growth will total 3.75 per cent next year, compared with an expected 5 per cent in 1987. The target for fixed capital investment growth that *should* reach 16 per cent this year, is set at 8 per cent.

Annual average inflation, expected to fall to 9 per cent this year, is forecast to drop to between 5.5 and 6.5 per cent.

This target is strongly contested by unions, who estimate 8 per cent inflation as a more realistic basis for wage claims. Total domestic demand is expected to increase 8.1 per cent this year, but only 4 per cent in 1988.

Maintaining steady growth without succumbing to a renewed inflationary spiral will depend greatly on the Government's success in cutting the rise in private consumption from an expected 6.8 per cent this year to 3 per cent in 1988 and reducing import growth from 20 per cent to 6 per cent.

*The plan indicates the Gov*ernment will impose tight restrictions on credit and press for wage restraint,in a bid to curb consumption and inflation.

Export growth, estimated to *reach 10 per cent this* year, should be 5.75 per cent in 1988, according to the Government plan.

WORLD ECONOMIC INDICATORS

RETAIL PRICES
(1980=100)

	Sept.'87	Aug. '87	July'87	Sept.'86	% change over previous year
W. Germany	120.9	121.2	121.3	120.4	-4.2
France	168.2	168.0	167.6	162.9	-4.2
Italy	213.0	211.5	210.9	202.5	-5.0
Netherlands	123.0	122.4	122.1	122.5	-1.0
Belgium	145.3	145.6	145.1	142.8	-1.8
United Kingdom	153.3	152.7	153.2	147.1	-4.1
USA	139.1	138.8	138.2	133.5	-4.1
Japan	116.1	115.2	115.1	115.3	-1.7

Source: (except US) Eurostat

Eric Short on the impact of the Sex Discrimination Act

Pension anomalies of work equality

EMPLOYERS CAN no longer retire women at an earlier age than men. That is the main provision of the 1986 Sex Discrimination Act which came into operation on Saturday.

However, the act does not require employers operating company pension schemes to have a common age between the sexes at which the normal pension entitlement is achieved. They can still maintain an age differential between men and women - normally 65 for men and 60 for women.

That paradoxical situation reflects the piecemeal and separate manner in which employment conditions and pension conditions have been developed in the UK.

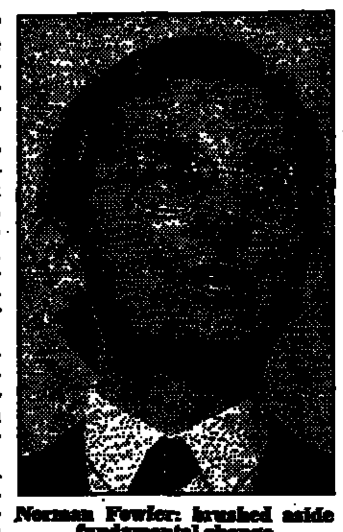
The central pillar in UK pension provision has been the system in the state scheme whereby men qualify for the basic state pension and any additional pension at 65 and women at 60, with the right to defer payment for up to five years after those ages accruing extra pension entitlements.

Company pensions have tended to follow the state with regard to pension ages. The standard benefit is 1/60th of earnings at or near retirement for each year of service up to age 65 for men and 60 for women, with a maximum pension of two thirds of earnings.

Those pension ages were also often the retirement ages under a company's employment policy. A company would usually require women to retire at 60 and take a pension, while men could continue to 65. Enforced early retirement before those ages would be handled as redundancy.

It was this type of situation that brought about the act.

Helen Marshall, a dietician employed by the Southampton and South West Hampshire Area Health Authority, had been allowed to continue working after 60 but was forced to retire before reaching 65, the age for men.



Norman Fowler: brushed aside fundamental change

She complained that here treatment was a breach of the Equal Treatment Directive and that was upheld by the European Court of Justice in February last year. The 1986 act was brought in to comply with the ruling and the logical solution would have been to require equal pension ages.

The subject of a common retirement age has been discussed for well over a decade by successive governments. It was recommended by the Parliamentary Select Committee on Social Security nearly five years ago. The committee's report favoured a common retirement age of 63 in the state scheme, with the reasonable assumption that company schemes would follow this lead.

However, the Government decided not to take the opportunity, afforded by the court decision, to bring about a common pension age. So now there is the paradoxical situation of two ages.

On the one hand there is the retirement age at which employees can be required by their employee to stop work. That has to be the same for men and women.

On the other hand there is also the pension age, the age at which employees qualify for normal pension, and that can be different for men and women.

Employers can make the two ages the same by having a common pension age. However, surveys and inquiries among leading pension consultants and consulting actuaries show that very few employers have done so.

Most employers have made the minimum changes necessary to their employment and pension arrangements to comply with the act, often by default, even though they are changing their pension arrangements in other respects to conform with the 1986 Social Security Act.

Thus, the pension ages still remain 65 for men and 60 for women in the majority of company schemes as well as in the State scheme. This in itself opens up a new series of discriminations.

When a women reaches 60, she can now elect to continue working for any desired period up to 65. However, she also has the option of taking the basic State pension at 60. The only requirements to qualify for the pension are a sufficient contribution record and to have reached 60.

Alternatively, she can defer drawing the state pension until a later date at which time the basic pension will be enhanced but she stops paying National Insurance contributions, although her employer still pays.

Meanwhile, her male collegues have to wait until 65 to draw the basic pension and still have to pay NI contributions.

A similar situation exists with company pensions. A woman may not be able to draw the pension until she actually stops work but after 60 she will come under the late retirement provisions of the scheme, which mean no more contributions and an enhanced pension when she eventually retires.

In practice, most women have a lower period of employment than their *male collegues* and thus a lower pension entitlement but a woman with a full, or near full, contribution will be better off.

The Labour Party and the TUC are committed to equalising the pension age at 60, when economic conditions allow the payment of the very high costs involved which are about £4bn a year just for the basic state pension.

However, such enthusiasm for earlier retirement is not necessarily shared by employees.

Where employers have introduced a common retirement age in their pension schemes, it is as often 65 as it is 60, with a few schemes having a common age of 62 or 63.

Not only are employers reluctant to lower the pension age for men from 65 because of the increased costs involved but many employees are wary that a lower pension age means employers can force them to retire earlier than they would like.

It is doubtful whether employees will accept that confusing situation for long.

The Government is introducing many radical changes into the UK pension framework next year but this most fundamental of changes, long overdue, was brushed aside by Mr Norman Fowler, the previous Social Services Secretary, in his famous review which led up to the 1986 Social Security Act.

The White Paper merely stated the Government would be considering further the whole question but there is no sign that this review has even started.

Employers urged to upgrade benefits of schemes

BY ERIC SHORT, PENSIONS CORRESPONDENT

THE NATIONAL Association of Pension Funds is producing a discussion paper on the pensions environment which will come into being next year.

The document, to be published on November 17, will urge employers to upgrade the structure and benefits of their company pension schemes to meet the competition from the new-style personal pensions.

Under the 1986 Social Security Act, employees from next April will have the right to opt out of their employer's pension scheme and make their own pension arrangements through a personal pension from a life company or other pension provider.

The association is concerned that employees will take advantage of their new freedom without giving due consideration to the final outcome of their decision.

While not opposed to personal pensions as such, the association considers that company pension schemes are still the best means of providing pensions for the majority of employees.

In May this year it launched a publicity campaign, under the title "Can you really beat a pension that comes with your job?", with the aim of encouraging employees to consider all facets of company and personal pension provision before making a decision.

However, the association is aware that company schemes do have certain disadvantages, particularly for employees leaving before retirement. It is concerned that employers will do nothing to rectify these disadvantages.

Flexible work deals strengthen unions

By Philip Bassett, Labour Editor

TRADE UNIONS may be able to resist employers' proposals on greater work flexibility or exact better concessions for changes in working practices precisely because of the bargaining opportunities flexibility offers.

That is one of the conclusions of a survey of the extent and impact of changes at work, focusing on flexibility proposals, carried out by the TGWU transport union and Northern College, the union educational body.

The survey acknowledges that it may appear very difficult in the current economic and political climate for unions to resist flexibility plans, but it suggests, unusually, that the employers' proposals themselves may allow unions to retain or even strengthen their bargaining positions.

Since many flexibility deals are, in reality, enabling provisions, the study says, "the process of implementation therefore leaves (open) the opportunity for the unions to regain some of the job control that, on paper, they appear to have lost."

New technology and just-in-time stock principles (buying stock as you need it, rather than storing long term supplies) may leave companies "very vulnerable" to industrial action, and the series of plant closures over recent years has concentrated production at efficient plants, giving workers there a better bargaining position.

The study also gives some significant figures on the way change in employment has hit trade union membership. It suggests, in particular, that after taking union mergers into account, the real decline in TGWU membership of 37 per cent in the period 1979-85 has been higher than the union has acknowledged.

The report, using extensive case studies and reported material, also acknowledges the impact on overall union strategies of the often controversial organisational policies adopted by the EETPU electricians' union.

It says that the events at News International's Wapping plant (where the EETPU agreed to do work traditionally done by the print unions) and other workplaces "should not be allowed to completely cloud our perception of the tactics pursued by the EETPU in one important respect: and that is the fact that the EETPU appears to have been in front of other unions in developing some sort of strategy for coping with change at work, however much we may disagree with that strategy."

CBI takes up the cudgels on electricity price rise

BY DAVID THOMAS

THE CONFEDERATION of British Industry is likely to tell Mr Cecil Parkinson, Energy Secretary, at a meeting today that it has the backing of the electricity supply industry for its plea to scrap the electricity price rises announced by the Government last week.

There was considerable agreement at a meeting between the CBI and electricity supply leaders last week that the argument advanced by the Government - that the increases are necessary to fund a new generation of power stations - could not be justified.

However, Mr Parkinson, who yesterday strongly re-stated the Government's defence of the 15 per cent increase over two years, with 8-9 per cent coming next April, appears unlikely to accept the CBI's case, thereby ensuring that the row will rumble on during this week.

Mr John Banham, CBI director general will tell the Energy Secretary, that there is no need for an increase in the price paid by industry for electricity.

Mr Parkinson, speaking yesterday on BBC radio, reiterated the Government's argument that the increases were needed to *replace old power stations.* "There has been no provision made for their replacement," he said.

However, Lord Marshall, chairman of the Central Electricity Generating Board, and Sir Philip Jones, chairman of the Electricity Council, agreed at a meeting with Mr Banham and Sir David Nickson, CBI president, last Thursday that the new power station programme did not require price increases *on the scale proposed.*

The Electricity Council recently received a report from consultants at Price Waterhouse which is understood to conclude that electricity prices would have to increase by about 20 per cent over five years to meet the industry's needs, including building its new stations.

Mr Parkinson insisted yesterday *that it was the industry's* responsibility to decide how the planned increases, which are averages across the whole country, should fall on individual groups of consumers. The Electricity Council is to meet later this month to give initial consideration to the implications of the price rises for specific tariffs.

At today's meeting with Mr Parkinson, the CBI will also revive an argument which has flared *up several times in* recent years about whether British industry pays more than its competitors abroad for energy.

Universities accused of hiring bias

UNIVERSITIES in Britain are today sharply criticised by their principal teachers' union for discriminating against women.

The Association of University Teachers has for the first time analysed by gender, official figures for recruitment, staffing, pay and promotion in universities, and found "huge discrepancies."

Figures examined by the union for 1985 show that one in five of the academic staff recruited to universities were women, at a time when women comprised 42 per cent of universities' undergraduates and 37 per cent of graduates.

Although the AUT acknowledges that the recruitment of full-time female staff has been rising steadily for the past 20 years, it says that 60 per cent of the women recruited in 1985, were research staff

Breakaway UDM asks British Coal for exclusive deal

BY OUR LABOUR EDITOR

BRITISH COAL is being pressed by the breakaway Union of Democratic Mineworkers to sign a single-union deal for its newest pit, Asfordby in Leicestershire.

Such a move by the corporation would, if agreed, mark the first complete exclusion from a pit of the National Union of Mineworkers.

UDM leaders in Nottinghamshire, the union's stronghold (although, even there, no mine is totally a UDM pit), will discuss Asfordby today and the union's national executive will consider it on Thursday.

Last week, British Coal transferred responsibility for the pit to its Nottinghamshire area, prompting speculation in the Leicestershire area of the NUM that the pit was being moved from its union area because the national NUM was refusing to accept flexible working arrangements.

In a circular to Leicester and south Derbyshire miners, the UDM makes clear its objective for sole recognition at the pit.

Mr John Liptrott, general secretary, says: "The aim of the UDM is to negotiate a single-union agreement at Asfordby mine. The bulk of the jobs will be for miners from pits currently within the south Derbyshire section of the UDM."

An agreement on this basis for the pit, set to employ 1,200 miners and produce 3.5m tonnes of coal annually, would increase inter-union tensions between the NUM and the UDM. It would probably also be used by those NUM voices who are not against flexible working, as an argument in its favour, clearly indicating the possibility that the NUM may lose members to the UDM unless it modifies its stance. The UDM is prepared to accept flexible, six-day working at new mines.

The move by the UDM - an illustration of the sharp competition among unions now - is angering the NUM,

Mr Jack Jones, Leicester NUM area secretary, attacked the UDM's single-union proposal as a further example of the UDM being a "gaffer's union" (one favourable to management) and compared it with recent, controversial, single-union deals signed by the AEU engineering workers at Nissan in the north-east and at Ford's proposed electronics plant

Mr Jones, a moderate among NUM leaders, described the corporation's decision as "shocking."

Left unions in talks on closer co-operation

By Our Labour Editor

LEADERS of the TGWU transport workers' union are in informal talks with a number of other unions, including the National Union of Mineworkers, about closer working relations in the future.

Although the discussions are only at an early stage, they do raise the possibility of left-wing unions drawing more closely together, even though none of the participants are talking in terms of outright mergers.

Mr Ron Todd, general secretary of the TGWU confirmed yesterday that he had held private talks with Mr Arthur Scargill, NUM president, about future working relations as part of a series of discussions

Mr Todd said: "There have been exploratory discussions. I have had informal talks with Mr Scargill about better working relationships and how we see the future of the trade union movement."

But he denied that the discussions with the NUM were part of a plan to write off the money - estimated at about £1.6m - loaned by the TGWU to NUM areas during the 1984-85 miners' strike to help with hardship and other problems.

Transport union leaders are making it clear that they are not talking about any transfer of engagements by the NUM to the TGWU - with some 100,000 members, the NUM would swell the TGWU's ranks considerably and open the way for other mergers. But one TGWU leader said of the NUM: "If ever they get into a situation where, for whatever reason, they can't stand alone I think we would be the favourite" in any merger competition.

Thomson Holidays cuts brochure prices by £18m

BY DAVID CHURCHILL, LEISURE INDUSTRIES CORRESPONDENT

THOMSON Holidays, Britain's biggest package tour operator, yesterday opened a price war in the travel trade with wide-ranging price cuts amounting to £18m off next summer's holidays.

The move, only a month after Thomson announced its brochure prices for next summer, came as a surprise to delegates at the annual conference of the Association of British Travel Agents meeting in Innsbruck, Austria, yesterday.

Thomson has decided to cut prices - by up to £45 a person - on about 1m holidays for next summer. That is about a third of the holidays it has on offer and effectively pegs prices to this summer's levels.

Thomson's decision followed sluggish sales of next summer's holidays in recent weeks as a result of low prices offered by its main competitor, Intasun, part of the International Leisure Group.

Mr Charles Newbold, Thomson Holidays' managing director, said in Innsbruck yesterday: "We have not lost our nerve but as market leader we cannot afford to back out of a price war."

He added that Thomson would not let Intasun, or anyone else, undercut its new prices.

The Thomson move also comes amid reports of a slowdown in holiday bookings for next summer because of consumer uncertainty about the economy. Many in the travel trade fear that the recent stockmarket decline may lead to consumers deferring buying luxury items such as holidays.

In addition, many consumers also appear increasingly reluctant to book their holidays early in the expectation that prices will fall still further. Thomson said yesterday that holidaymakers who had already booked their holidays would only have to pay the new lower prices.

Thomson's decision to revive the price war among tour operators came after the travel trade had expected some price stability next summer.

A similar price-cutting move by Thomson two years ago led to a sharp increase in the number of holidays sold. However, it also forced other tour operators to retaliate, which damaged the profitability of the whole travel trade.

The result of the price war has been to force a number of small operators out of business as well as leading to a realignment among the large operators.

The Bass Group, for example, bought Horizon Travel this year and subsequently acquired the Wings group from the Rank Organisation. Last month British Airways decided to merge its loss-making travel subsidiary, BA Holidays, with the fast-growing Sunmed operation.

Delegates at the Abta conference yesterday feared the latest round of Thomson price cuts might result in a new round of mergers and bankruptcies among tour operators. However, some delegates hope other tour operators will not overreact to the Thomson move by cutting their prices even further.

● Mr Jack Smith, Abta president, said last night: 'I don't think consumers or the industry want a return to bargain-basement prices. I hope we don't return to a position where holidays are sold below their cost.'

Japanese banks 'gained most' from Big Bang

By David Lascelles

UK CORPORATE treasurers expect Japanese securities houses and banks to be the main beneficiaries of the changes brought about in the City by last year's Big Bang. They also expect the Japanese to be the main agents of change.

Those are the main conclusions of a survey conducted by Greenwich Associates, the US consultants specialising in the financial services industry. While it reinforces the belief of Japanese ascendence in the City, it also pinpointed an ambivalence among corporate treasurers about the virtues of dealing with Japanese institutions.

When asked which type of bank they prefer to use in the future, they ranked Japanese banks and securities houses the lowest.

United Kingdom Corporate Finance 1987. Greenwich Associates, Office Park Eight, Greenwich, Connecticut 06830. Tel (203) 629 1200.

Thorn EMI to pull out of video venture

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

THORN EMI, the UK industrial and television rental group, is to sever its last links with the consumer electronics manufacturing industry by pulling out of the joint video cassette production venture formed with JVC of Japan and Thomson of France.

Thorn's decision to sell its holding in the collaborative project, known as J2T, follows the disposal of its Ferguson television manufacturing subsidiary to Thomson three months ago. Almost all television and video cassette production in the UK is now in the hands of manufacturers from Japan or Western Europe.

Thorn, once one of the leading British producers in consumer electronics, has altered emphasis over the last 18 months, concentrating on its more profitable television rental, defence equipment and lighting products.

It is negotiating to place its 33 per cent holding in J2T with its two partners on the basis of an independent valuation. JVC and Thomson have indicated that they want to take up their options on the shares. It is expected the deal will be finalised by the end of this year.

J2T was launched in 1982 in an attempt to establish a European-based video cassette company capable of standing up to the competition from Japan. JVC was brought into the partnership to supply some of the basic technology. On average 60 per cent of the value of the group's products is derived from European sources.

The company has grown steadily from a production of 74,000 units five years ago to an expected 850,000 this year - about 13 per cent of the total European market of 6.7m video cassettes. However, profitability has been extremely low, at around 1 per cent of the group's sales of approximately DM550m (£185m).

Food fair shows trend for Mexican fast food

By David Churchill

MEXICAN FOOD is poised to become the latest fashionable style of cuisine among Britons, weary of burgers, pizzas, and hot dogs.

Eating out has become one of the most popular leisure pursuits of the 1980s. However, catering companies are becoming increasingly aware that consumers are seeking new types of restaurants.

Mr Richard Nichols, marketing director of La Mexicana Quality Foods, a manufacturer of Mexican foods, says: "Mexican food has been the fastest-growing sector of the US food industry for some years and now the UK is following this trend as more and more Mexican restaurants begin to open."

The company's customers include Taco Bell - among the first of the UK's Mexican takeaway restaurants - Harrods, and several hotel chains.

La Mexicana is also one of the first-time exhibitors at this year's Fast Food Fair, which opens today at the Metropole Hotel, Brighton. Several of the other first-time companies at the fair are also exhibiting Mexican foodstuffs.

The event has an important role in shaping what consumers eat in the catering industries which are worth £8bn-a-year. Ms Sheri Johnson, exhibition manager of the fair, says: "Visitors to the fair are typically key management responsible for creating trends in the popular catering and restaurant industries.

"With over 17,000 visitors of this calibre expected this week, it is almost guaranteed that the Mexican food trend emerging this year is about to hit the high streets throughout the UK."

Interest in Mexican foods has encouraged the catering chains - especially brewers such as Whitbread and Allied-Lyons - to include Mexican food in new restaurants with themes aimed at young people.

For example, the Mexican Beer Import Company says the number of Mexican restaurants supplied over the past year has doubled. It expects the rate of growth of new outlets to be even faster this year.

The trend is already filtering through to other, less likely, outlets. The franchised Olivers bakery and coffee-shop chain recently started selling hot baked potatoes with chilli con carne fillings and has found the dish to be popular.

The catering trade sees several key reasons for the growth in popularity of Mexican food. One important factor is the willingness of young people to experiment with new foods.

La Mexicana's Mr Nichols says: "I feel that other ethnic fast foods have passed their peak in terms of public interest and there is a definite demand for a new product."

Others in the trade believe Mexican foods have important facets.

Mr David Maguire, managing director of the Mexican Beer Import Company, says: "Mexican is the fast food of the future because it is cheap, simple, healthy and fun.

"The basic ingredients are cheap, resulting in an inexpensive meal, and the cooking processes are healthy - an important factor in today's fast food business," he adds.

However, most catering operators are well aware that fashion still plays an important part in determing the success or failure of new trends in eating. While tequila is Mexico's most famous drink, "in-the-know" young people who eat in Mexican restaurants apparently drink Tecate - a lager designed to be drunk Mexican-style with salt and a slice of lime.

UK space funding expected to stay grounded at £85m

Peter Marsh on the spending row among scientists

BRITAIN'S scientific and technical community is looking forward with a mixture of emotions to this week's expected confirmation of the Government's refusal to increase its spending on European space programmes.

Mr Kenneth Clarke, the Trade and Industry Minister, will be in The Hague, the Netherlands, today and tomorrow for a special meeting of the 13-nation European Space Agency (ESA), at which he is unlikely to agree to any rise in Britain's ESA contribution of about £85m a year.

Ministers have examined space funding after a plea for more cash from the British National Space Centre, set up in November 1985. Indications that no more money would be forthcoming led to the resignation in the summer of Mr Roy Gibson, the centre's director. Mr Clarke has in recent weeks called ESA a "hugely expensive club" with over-ambitious programmes.

Mr Graham Hills, principal of Strathclyde University and a member of the government's Advisory Council on Science and Technology (Acost), said he was not convinced by the arguments for increasing space spending. He would resist the idea that because other governments spend heavily on space research and technology Britain should necessarily do the same.

Mr Hills said a lot of the spending on space technology in the past was "soft money" paid out on the basis that space activities seemed like a good area in which to invest but with no one having proved the case.

Professor Stan Metcalfe, an economist at Manchester University, who is another Acost member, said he did not think a decision to limit space spending was "terribly bad" from the UK's point of view. The right time for increasing space funding might be a decade or so away when more areas of space technology would be ripe for commercialisation.

He said: "I don't agree with the idea that decisions of this sort are irreversible." He added that it would in theory be perfectly feasible to build up future generations of space engineers, to exploit technical advances, long after today's space experts had retired.

Professor Keith Pavitt, of the Science Policy Research Unit at Sussex University, said he had some sympathy with the Government's view that the private sector should do more to invest in space technology instead of leaving most of the funding to governments.

However, he did not like the inference from Mr Clarke that the Paris-based ESA was out of control. He added that the agency had a generally good record, in particular in its development of the Ariane rocket, which had turned out to be a commercial success.

"ESA might be a bureaucracy, but I would submit that there are some British bureaucracies, the Defence Ministry for example, which are worse," he said.

According to Mr Nick Segal, a consultant specialising in high-technology developments, the arguments over space funding illustrate "the lack of an orderly or rational way in Britain of reaching judgments over science funding."

He said he was disturbed by some aspects of Mr Clarke's comments in recent weeks which seemed to be reducing the debate to "knockabout politics."

Mr Segal believes the case for injecting more cash into space research might not have been examined thoroughly enough. The government's line on space funding appeared to be derived from its general wish to make firmer, more centralised decisions over science policy matters in general.

"The Government has appeared to want aggressively to challenge what it has regarded as a comfortable and complacent scientific community. The space lobby happens to have been unlucky in that its case [for more money] has come up before anyone else's," he said.

Mr Michael Marshall, a Conservative MP and former industry minister who is chairman of two all-party parliamentary committees on space and information technology, said he was concerned that the Government appeared to be taking a short-term view over space. He said a refusal to put up appropriate funds now could harm industry's ability to compete in space technology for 15 to 20 years.

Mr Philip Hughes, chairman of Logica, a leading software company which is heavily involved in the space industry, said he was "in despair" at ministers' attitude.

He said the Government ought to be investing in space because it was sensible to build up a potentially important part of the UK economy, rather than treating the issue of space funding as a research and development grant to UK industry.

Business political gifts up to £2.2m, Labour reports

BY PETER RIDDELL, POLITICAL EDITOR

BRITISH COMPANIES last year made political donations totalling over £2.25m, according to a survey of 1,500 annual reports by the Labour Party research department.

The survey covers financial years ending in the course of 1986 and therefore excludes donations made during the run-up to last June's general election. Those were undoubtedly larger than in 1986.

Roughly a sixth, or 252, of the quoted companies surveyed made donations for political purposes. Contributions made by private companies and private donations are not taken into account.

Over 90 per cent of the total of donations - over £2m - were made to the Conservative Party, or sympathetic fund-raising organisations such as British United Industrialists and regional industrial councils.

The Labour survey identifies 10 donations of more than £40,000, totalling £536,000, which it says is "an indication of the extent the Tories are beholden to the directors of a small number of major public companies."

By contrast, the two Alliance parties received just over £67,000 from 18 companies. Around £60,000 went to the free-enterprise group, the Economic League and the Centre for Policy Studies.

"Company Donations". Labour Party Policy Directorate, number 77, October 1987. Price £1.

Fall in growth of productivity at British Coal

BY MAURICE SAMUELSON

A SLOWDOWN in productivity improvements at British Coal is causing disquiet in government circles as the industry continues its uphill efforts to break even in the next financial year.

Efficiency is still rising but in the past few weeks it has done so at little more than half the rate achieved in the same period a year ago.

This has coincided with the National Union of Mineworkers' overtime ban but, since the ban has had only a limited effect, other, as yet unexplained, factors are thought to have caused the slowdown.

The latest trends have emerged too late to be reflected in the half-year results, which British Coal chairman Sir Robert Haslam is due to announce in London on Wednesday. He is expected to announce that productivity, at 3.6 tonnes a man a shift, was 15 per cent higher than in the same period last year.

However, in the four weeks ending October 24, productivity improvements slipped steadily from 14.3 per cent to 13 per cent against the same period of 1986. For the industry to break even, output will have to reach about four tonnes a man/shift and then climb to five or six tonnes for long-term financial viability to be assured.

At British Coal, the view of the latest figures is somewhat less despondent than that heard in Whitehall. Industry officials insist that the overtime ban is the main culprit and point out that even a 13 per cent improvement is far better than that forecast a year ago by Sir Robert when he said that a 10 per cent rise would be satisfactory.

Nevertheless, the chairman is likely this week to stress the industry's difficulties as much as its achievements.

British Coal is particularly worried at the large amounts of cheap coal on the international markets and the increased bargaining power that gives to its biggest customer, the Central Electricity Generating Board.

International coal prices are quoted in dollars and that, with the latest fall in the sterling value of the dollar, further increases British Coal's vulnerability.

Mr Ken Moses, British Coal's technical director, sounded a bleak warning at the weekend when he said the coal industry might disappear, like Britain's motorcycle manufacturers, if it failed in its bid to become a high-volume, low-cost supplier.

He told a Blackpool conference of Nacods, the colliery officials union: "We can either go the way of the motorcycle industry and disappear or we can emulate the car makers and the textile industry and further cut our costs to meet the demands of the market on quality, availability and price."

Council plans to fund £2m cinema

BY RALPH ATKINS

A COMPLEX finance deal, displaying creativity most film producers would be proud of, might pay for the construction of a cinema in the heart of the London Borough of Greenwich.

Councillors in the Labour-controlled authority will be asked tomorrow to give planning permission for a £2m cinema with three screens and 800 seats. If it goes ahead, it will probably break new ground in creative accounting by local authorities.

The financing is designed to sidestep government restrictions on capital spending. But, with the burden on the council's annual budget likely to be negligible, it will probably win support from the Department of the Environment and opposition parties.

The cinema is part of the Burney Street project, close to Greenwich's most famous landmark, the Cutty Sark. It is the final stage of a development comprising an hotel, sheltered housing and an antiques market.

The deal involves a tangle of agreements between the council, a builder, a bank and Film Network, a private cinema operator. The result will be to bring a cinema to a prime commercial site when most operators are moving to cheaper out-of-town locations.

Greenwich Council, which owns the land, will employ a developer to build the cinema. On completion, expected early in 1989, it will be leased for 20 years to a City bank for a sum that will cover construction costs.

The council will make payments to the bank for the period of the lease and take ownership when it expires. But its outgoings will be offset by the rent it charges for operating the cinema.

Film Network, a two-year-old company run by film entrepreneurs Mr Alistair Gregory and Mr Simon Perry, will pay a basic rent plus a percentage of its turnover. The company is also putting up £250,000 towards construction costs of the complex.

The organisers believe it is a responsible scheme with benefits all round. "It is not an example of selling off the town hall to pay to empty the dustbins next week," said Mr Gregory.

If successful, the council might make a profit on the deal. Moreover, after 20 years it will have a capital asset with a client paying a market rent, but there will be no capital expenditure in the council's accounts.

Film Network plans to offer adventurous programming, including experimental films as well as box-office hits. It will also offer educational and minority-interest films, subsidised by a trust set up by the council.

The complex will include a cafe and exhibition space, allowing, for example, the audience for Superman IV to admire watercolours or oils before and after performances.

Film Network is a sister company to Umbrella Films, whose productions include the film of Orwell's 1984. Its next production, due for release next February, is entitled, appropriately, White Mischief.

Tin judgment reserved

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE LAW Lords have reserved judgment on the case in which they have been asked to decide whether documents emanating from the International Tin Council can be used as evidence in the tin crisis litigation.

The ITC contends that not only its documents, but copies of them and information derived from them belong to its official archives and are therefore protected from disclosure without its consent.

That is contested by two tin traders, J. H. Rayner (Mincing Lane) and Maclaine Watson, and the London Metal Exchange, which want to use ITC material as evidence in an action brought against them by two Shearson Lehman companies.

The issue, which affects other parts of the tin litigation and has implications for other international organisations which, like the ITC, have a presence in the UK, came before the Law Lords on appeal from the Court of Appeal in July.

The Appeal Court held that documents retained in the ITC's archives were protected from disclosure, as were copies of such documents made without the ITC's consent, and secondary evidence and information derived from them.

The Appeal Court said, however, that documents lost their inviolability when distributed by the ITC to its members - the UK, 22 other states and the European Community.

The Law Lords' ruling is likely to be given in four to six weeks.

Philip Stephens on a sanguine view of prospects for the economy

A burst of optimism in the City

IT PROBABLY had as much to do with self-preservation as forecasting, but the reaction of City economists to the turmoil in financial markets last week was a burst of optimism over Britain's economic outlook.

The surprising consensus was that the Treasury's assessment in the Autumn Statement on prospects for 1988 erred, if anything, on the side of caution.

As a rising pound and sliding stock market pushed the Government into another half-point cut in base rates to 9 per cent, the view in the City was that there were at least two more similar cuts to come.

It is not often that the young men who write brokers' circulars are more optimistic than the Treasury on the outlook for inflation. But last week virtually all were agreed that the official view that retail prices will be rising at an annual rate of 4½ per cent at the end of 1988 appeared too pessimistic.

The forecast by Mr Nigel Lawson, the Chancellor, of a 2½ per cent rise in output next year was seen as plausible if fractionally on the high side. However, there was little quarrel with Whitehall optimism over the outlook for public spending and borrowing.

The statement surprised the City by carrying forward his forecast of a £1bn public-sector borrowing requirement in the current 1987-88 financial year as an assumption for 1988-89, but no one doubted that it still left room for sizeable tax cuts. The Chancellor made clear also that next year's target could be pushed back up towards £4bn if growth turned out to be weaker than he expected.

The Treasury's chief forecasters have put a series of deliberate obstacles in the way of any objective assessment of their projections. Many of the key assumptions have, apparently, been declared official secrets.

Thus, it is impossible to tell whether the projections for inflation and exports are based on an exchange rate against the dollar closer to the $1.60 of a few weeks ago, or to the $1.74 on the day of the statement.

The assumption on the likely level of world stock markets is equally vague, while there is no discussion at all about the expected level of interest rates.

However, it is clearly the Treasury's view that the collapse of world stock markets will have only a limited impact on demand in the economy next year, perhaps reducing the overall growth rate by between ¼ and ½ percentage point.

Consumer spending is expected to remain buoyant, growing by 4 per cent in real terms in 1988, with only a slight increase in personal-sector savings. Manufacturing investment is forecast to accelerate, influenced more by recent strong growth in output and in industrial profits than by any slowdown in the world economy.

Inexplicably, world trade is expected to be virtually immune to the equity price slump, expanding faster in 1988 than in 1987.

That latter projection is at the centre of one of the few doubts that surfaced last week over the credibility of the Treasury's assessment. It is difficult to reconcile a forecast that world trade in manufactured goods will rise by 4 per cent next year with the view that output in the seven leading industrial countries will increase by only 2 per cent.

If the assumption that domestic demand in Britain's economy will continue to rise stongly proves right and if sterling holds its gains against a weakening dollar, then the current account might look significantly weaker.

Economists at both Credit Suisse First Boston and at Goldman Sachs, for example, believe the official projection of a £3½bn deficit in 1988 is likely to prove over-optimistic.

However, such concerns were not enough to dampen expectations of further cuts in interest rates. In the minds of most City economists, a fall in base rates to 8 per cent in the next few months is already discounted. The real optimists are looking for an even steeper reduction.

Mr Lawson's hurried move to lower rates last Wednesday does suggest that restoring stability on financial markets is now at the top of the list of priorities. As one City observer remarked last week, the Chancellor appears to have replaced a broad money policy with a broad equity policy.

His re-affirmed commitment to limit any further gains for sterling and, above all, to hold it below DM3, reinforced the optimism over borrowing costs.

Privately, Whitehall officials concede that if stock markets continue to decline and sterling goes on rising, then Mr Lawson will move to cut rates again. But official enthusiasm for getting borrowing costs down to 8 per cent is far less obvious than that of City economists.

Mr Lawson's upbeat comments on the prospects for a new agreement on co-ordinated international interest rate cuts, if and when the US secures a credible reduction in its Budget deficit, are based as much upon hope as inside knowledge.

The mood among senior policy makers in West Germany last week after the US decision to begin talking down the dollar again, was far from co-operative.

The Bank of England has not forgotten that a succession of cuts in interest rates has been followed by a sudden loss of confidence in financial markets - and while rates tend of fall in ½ point stages they tend to go up again in jumps of 2 points.

Building activity 'showing little sign of slackening'

BY ANDREW TAYLOR

THE RESURGENCE in the UK construction industry, which is now enjoying its best period since the building boom of the early 1970s, shows little sign yet of slackening, according to two workload surveys conducted this autumn by quantity surveyors and civil engineers.

Order books of quantity surveyors, like those of architects, provide an important early warning of future workloads for the rest of the construction industry.

According to the Royal Institution of Chartered Surveyors, order books of quantity surveyors in the three months to the end of September were 7.4 per cent higher than in the previous three months and 24 per cent higher than at the same stage a year ago.

The Federation of Civil Engineers, which has also published its latest work load survey, says the number of companies reporting increases in orders has continued to rise.

Its survey, conducted in October, is welcomed by civil engineers as reinforcing the optimism expressed by many contractors about future prospects.

"For a growing number of companies, especially among those in the larger categories, future prospects now seem much rosier compared with one year and even six months ago.

Such optimism is supported by a fall in the numbers of companies anticipating a downward trend in orders for new works.

The office building and refurbishment market in London and south east England and the retail sector, particularly out-of-town shopping centres, have been among the biggest growth markets

The construction industry will now be waiting to see what impact the recent sharp fall in share prices, together with the shake-out in employment among financial services companies, may have on order prospects.

Architects in the City of London, which might be expected to feel the first effects of a cut in building activity, say there is no sign yet of financial services groups curtailing office expansion and refurbishment plans.

The general impression is that if there is going to be a cut in investment, it is unlikely to emerge immediately, given that space in the City is generally regarded as being in short supply and that most companies will wait to see if shares have any further to fall before taking a decision on investment plans.

Renewal drive launched for inner Bristol

BY ANTHONY MORETON

AN IMPORTANT drive to regenerate parts of inner Bristol is to be launched in the city under the Phoenix banner today.

Four areas have been identified for development - the city's docks, Bedminster, the St Anne's-St Thomas central area and Avonmouth.

Phoenix was set up with government approval two years ago to seek partnerships between private enterprise and local authorities to further urban renewal in the inner cities. A national board is headed by Sir Colin Corness, chairman of Redland.

The Bristol project will be the third undertaken by Phoenix. Schemes have already been set up in Manchester and Salford and it is thought that another in the Wirral is under consideration. A further two are likely before the end of the year and Plymouth is among the cities considering the initiative.

"Phoenix is not about altruism so much as about enlightened self-interest," said Mr Denis Burns, who has been seconded from accountants Arthur Young to head the Bristol group.

"We are trying to make people see that if Bristol is improved, new companies will come here and this will be of immense benefit to everyone."

The Phoenix operation got off to a faltering start nationally when Sir Nigel Broackes, chairman of Trafalgar House, refused to take on the national chairmanship, saying that without government funding its chances of success would be hampered.

Sir Colin Corness, who had stood aside to allow Sir Nigel to take over, then came back to lead the organisation.

A Phoenix board has been set up in Bristol comprising Mr Ken Harper, president of the South West region of the Building Employers Confederation; Mr Andrew Breach, chairman of the Bristol and West Building Society; Mr Chris Ledger, chief executive of the national Phoenix; and Mr George McWatters, chairman of HTV. Bristol Council is also giving full backing to the project.

Mr Burns says that economic regeneration is only one theme being considered. Phoenix will also seek to make Bristol more attractive environmentally, improve its leisure facilities, housing, and shopping.

The first stage is to raise enough money to undertake a study of the necessary work and run the small administrative staff.

A preliminary meeting of banks, financial services, builders, council officials and others in September has already given the idea its approval.

Opposition increasing to bill on all-day pub hours

BY LISA WOOD

OPPOSITION IS growing to the Government's bill to allow public houses to remain open for up to 12 hours a day.

The Licensing Bill will be debated in the House of Commons today. Many Labour MPs are expected to vote against its second reading and there is strong opposition from some Conservative MPs.

In addition, organisations such as Action on Alcohol Abuse, probation officers and medical colleges are stepping up their lobbying efforts against the bill.

The bill would enable public houses to open between 11am and 11pm every day, except Sunday.

The Government has drawn heavily on the Scottish experience, where more flexible licensing hours were introduced in 1977. According to surveys, the change in Scotland has not led to a significant increase in alcohol consumption.

British Rail foresees end to loss on InterCity

By Lynton McLain

BRITISH RAIL is forecasting a loss of £100m on its InterCity services for the year to the end of March, but expects it to become the first BR national rail passenger service to operate without a loss, in 1990-91.

The loss this year is after receipt of a grant from the Government estimated at £132m by the end of 1987-88. This is the last grant BR will receive for operating its InterCity services.

Government policy is to phase out grants for the British Rail InterCity, freight and parcels operations by April 1 next year, to encourage greater efficiency and a more commercial approach.

Last year, 1986-87, InterCity made a loss of £99.4m on a turnover of £657.6m.

The British Rail board set InterCity a target of £17m profit, before interest charges and after charging depreciation at current cost for 1989-90. InterCity does not expect to meet the target.

Forecasts in the BR five-year corporate plan published in July, showed that InterCity would be about £39m short of the target.

Dr John Prideaux, the director of InterCity, says, in a speech to be given to the Chartered Institute of Transport tonight, that the financial turnround expected of InterCity, related to turnover, "is to be achieved at a faster rate" than recent turnrounds at British Steel or British Airways.

"Efficiency will be greatly improved by the elimination of surplus assets and better productivity," he says.

The changing approach is illustrated by changes made to the BR overnight sleeper services, with a revised service, using new sleeper trains.

"Attention to detail will make the difference between our success and failure." The detailed appraisal will be down to a single train, a single carriage and to the individual, Dr Prideaux says.

More UK News on Page 14

Richard Evans on implications of the opening up of computer files to the public this week

Problems of administering the right to know

PEOPLE WILL have the right from Wednesday to inspect computer files held on them by government departments, local authorities, banks and companies when the Data Protection Act comes fully into force. It will be the first time this has been possible and an important landmark in UK public policy.

The subject-access provisions of the controversial act, passed in 1984 to ensure that British law complies with European Community legislation, are regarded by some as a highly significant advance in civil rights but by others as too woolly and ambiguous to be effective.

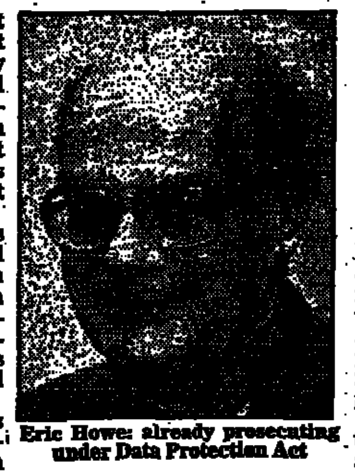
Under the act, all data users who process personal information must register with the Data Protection Register at Wilmslow in Cheshire. They have to state the type of data stored, what it is used for, and undertake to abide by certain principles relating to its accuracy, security and disclosure.

Failure to register is a criminal offence and offenders can be fined £2,000 by magistrates or face unlimited fines in higher courts.

In theory, anyone will be able from Wednesday to see any personal information stored by computer by applying to the government department or other organisation concerned. A fee will be payable up to a maximum of £10 and a period of 40 days will be allowed for providing the information.

But in practice there are continuing difficulties. Extensive publicity has been given to the act as its escalating provisions have come into force, but at least 100,000 small and medium-sized companies have still not registered their computerised files.

Registration began two years ago and data users and computer bureaux were given until May 1986 to register. At that



Eric Howe: already prosecuting under Data Protection Act

time about 110,000 out of an estimated 300,000 had done so. The rest were technically breaking the law.

Since then progress has continued to be slow. Register entries are now around 147,000, although revised estimates have brought the numbers of companies and individuals thought to be eligible down to between 200,000 and 250,000. From Wednesday the cost of registration goes up from £22 to £40 for three years.

Mr Eric Howe, Data Protection Registrar and the man charged with implementing the act, warns: "We are still substantially down on target and we are going to have to get tougher."

One of the difficulties has been the Byzantine complexity of the legislation - one section of the original guidelines qualified justifiably for entry to the Plain English Campaign's gobbledegook competition.

Mr Howe has sought to overcome that by introducing a simpler registration form for small businesses, and that has helped. It identifies the four most common computer applications - personnel and payroll; marketing, including direct mail; purchase ledger; and customer and sales records. There is also provision for a data user to add other activities if necessary.

The main forms divide computer users into 70 categories and large companies are expected to register under several headings, such as customers and clients, personnel, and marketing and sales. Registration has been a big headache and in many cases a team of people has had to work full time for a data user to ensure compliance with the act.

But the legislation is essentially about individuals' rights, and to help members of the public exercise those rights the Registrar has an important role as an ombudsman.

He says: "The main thing is to make sure that anyone with a grievance knows that there is someone to whom they can turn in the first instance. Their problem may be resolved by my intervention, without fuss and without the need to go to court. They do need to go to law, however, if they seek compensation."

So far, more than 400 complaints about the inaccuracy or misuse of personal information have been received and the rate has increased to about 30 a month. It is expected to rise sharply when the act comes fully into operation.

About half the complaints have been resolved by talking to the complainants or by correspondance with the organisation involved, with the remainder needing further investigation. A third of all complaints have concerned unsolicited mail and a further third have been about getting access to records.

To help him track down and prosecute those who fail to comply with the law, the Registrar has an investigation and enforcement team. They have already carried out 9,000 checks on organisations to see if they should have registered. From January there will be 13 regional investigators, nearly all former policemen, who will operate on a "no work, no pay" basis.

THE DATA PROTECTION REGISTRAR

Critics of the act believe that the Registrar has too few staff and too few powers, but Mr Howe rejects that. Prosecutions have started for wilful failure to register and this month several companies will find themselves in court. "The law has teeth and we will use it," says Mr Howe.

The ultimate weapon, apart from prosecution in court for not registering, is removal from the register, preventing a user from processing data legally.

The first public sign that the Registrar means to get tough came in late October when magistrates in Burton-on-Trent issued the first search warrant under the act. Investigators, supported by police, raided the home of a special constable after allegations that he was storing data about fellow officers and criminal cases on his home computer.

But some doubts remain. There are important exemptions to the right of access, including any records held for national security, for preventing or detecting crime or prosecuting an offender, or for tax collection.

Perhaps the most difficult areas are police records, where a code of practice is still being worked out, and medical details. There is access to computerised medical records, but that may be refused if a doctor thinks the information is likely to damage seriously a patient's health.

Furthermore, the legislation applies only to computerised records. Critics point out that all a data user need do to block access is to transfer material to card index files, which are not covered by the legislation. However, there is no evidence, so far, that this is happening on any significant scale,

The Campaign for Freedom of Information comments in a critical assessment of the act: "Either a right of access to personal files is a principle that is accepted by the authorities or it is not. How can the principle be valid for computerised files but not for manually compiled ones?"

Mr Howe sees the act as part of a long-term effort to change public perceptions about the use of computers - a massive education exercise. Its critics regard it as ineffective for that purpose.

Only months of experience of the legislation in full operation will show whether the Registrar and his 60-strong team will be seen as an important protector of civil rights or as a new bureaucratic bogey to rank alongside the VATman

Combined marketing rejected

BY FEONA McEWAN

THE GROWING trend towards integrated marketing services groups is given the thumbs down by many of Britain's top businessmen in a new survey.

The findings of the study, conducted by Mintel, the market research company, suggest that leading British companies seeking the best in marketing services believe integration breeds contempt.

Fewer than one in 10 of the 61 decision-makers questioned said they would buy different marketing services from the same agency or group, while nearly half said they preferred not to buy from the same group.

Their preference flies in the face of the deliberate move among publicly quoted service companies towards diversification

The degree to which client companies do want the so-called "one-stop shop", however, has always been debatable. But many service groups claim that while they hope clients will be shared among subsidiaries, they do not expect it.

Marketing Services Business, £550, available from Mintel, KAE House, 7 Arundel Street, London WC2R 3DR.

Sheffield £70m project

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

SHEARWATER Property plans to start construction of a shopping, leisure and residential complex on the edge of Sheffield city centre in mid-1988. The first phase of the development will cost £25m but total costs of the project will be nearer £70m.

The scheme is one of four designed to turn the economically depressed Lower Don Valley into what Sheffield City Council calls a "leisure corridor". It is expected to be supported by an urban regeneration grant of at least £5m from the Department of the Environment.

There are 2,500 acres of land in the valley, of which 40 per cent is either degraded or derelict after the departure of steel and heavy industry.

The Shearwater scheme is on the Canal Basin

CONSTRUCTION CONTRACTS

Nine-floor City office

Contracts totalling over £23m for a hospital extension in North London and an office building in the City have been awarded to KYLE STEWART.

Work has started on a £12.5m contract to construct a nine-floor office building at Aldermanbury Square in the City of London, for Hereditable City Investments. The steel-frame structure will be clad in French limestone, polished granite and tinted glass. Due for completion in early 1989, work on the 67,400 sq.ft. offices involves temporary works to brace a deep excavation down to 30 ft below ground level.

At Whittington Hospital, Highgate Hill, a £10.6m project is to start soon involving construction of St Mary's wing, containing operating theatres, recovery wards and communal facilities. Completion is due in three years.

Industrial complex

WILLETT, a Trafalgar House company, has been awarded three projects worth £15m in the south of England. The largest, worth £7m, is a high-technology office complex at Waterside Park, near Bracknell, for Waterside Park Ltd., a joint venture between London and Edinburgh Trust and Tarmac Properties. In a parkland setting a development will be constructed to provide regional offices, a customer event centre, a research facility and a service centre for ICL. At the Forum, Stevenage, Willett has commenced a £5.3m shopping complex for Goldquill which comprises a steel-framed superstore and shop units. The piled foundations will be constructed by Trafalgar House associate Cementation Piling and Foundations. Willett is also constructing a £3.2m 140,000 sq ft single-storey steel-framed warehouse for Trafalgar House Industrial Developments at Basildon, Essex. The facility will be a storage and distribution centre for CRS and will comprise two-storey integral offices, eight dock-levelling devices and a lorry park.

£14m batch for Tarmac

Projects worth more than £14m have been awarded to **TARMAC CONSTRUCTION**. Three of the largest are for factory buildings at Trowbridge, Wiltshire, for Nestles (£4m); warehouse extensions at Nuneaton, Warwickshire, for Foster Brothers (£2m); and a two-storey catering complex at Pease Pottage, West Sussex, for Trusthouse Forte (£1.2 m).

In the north-west the company has contracts for extensions to shopping units at Poulton-le-Fylde, Lancashire, for Gladstone Management Services (£525,000), and two contracts from Mersey Regional Health Authority for designing and building ambulance stations at Bootle (£492,000) and Fazakerley (£474,000).

Two projects have been awarded to Tarmac Construction Refurb. They are for refurbishing a hangar for Birmingham International Airport (£496,000), and alterations and extensions to the Kings Head public house, Wellesbourne, Warwickshire, for Bass Mitchells and Butlers (£415,000).

Contracts totalling £4.9m have been awarded to the contract housing division.

Japanese Gallery at British Museum

WILTSHIER CONSTRUCTION has won contracts uorth more than £11m in London.

Largest is the £3.6m Japanese Gallery at the British Museum, due to start this month and to open to the public at the end of 1989.

At Moscou Road, W2, work has started on a five-storey block of flats with basement car park under a £2.5m contract for Rosehaugh Co-Partnership Developments.

For Regalian Developments, work has begun on a £2mrefurbishment, conversion and improvement of 78 flats in a ten-storey block at Charterhouse Square, EC1.

At Park Place, SW1, the company is to build a £1.1msix-storey office block behind an existing facade for Laing Estates; while at Holland Park, W11, it is converting a building into flats for IDC Property Investments for £1.1m.

Work has started on an £800,000 contract to refurbish four floors of offices in Long Acre, Covent Garden, for Central Land Investments.

£20m road upgrading

A joint venture by **NORWEST HOLST CONSTRUCTION SOUTHERN** and **EDMUND NUTTALL** *has won a £20m con*tract to improve the A43 and A421 between Peartree Hill and Wendlebury in Oxfordshire.

The contract will provide a dual two-lane carriageway between the A34/A43 junction north of Oxford at Peartree Hill and the projected M40 motorway junction at Wendlebury.

A new section of road will bypass Kidlington and Gosford, joining the A43 north of Gosford Bridge: from there a further 6.3km of single carriageway to Wendlebury will be dualled.

Grade separated junctions will be built at Peartree Hill and Weston-on-the-Green, and the contract includes four overbridges, three underbridges and 17 culverts.

North Carolina offices

TRIBBLE HARRIS LI INC (THL) has won a \$1.6m (£914,285) design contract for a new 250,000 sq ft office complex in the Carnegie Center Office Park, Charlotte, North Carolina, US. The 'Rotunda' building will include parking for 800 cars, and feature a series of 50 waterfalls along the 600 ft front wall. When completed in Autumn last year, tenants will include the developers, the Bissell company, who will be taking space for its new headquarters. The contract is the third in the 90 acre park to be awarded to THL, who designed the first two phases.

Mixed bag for Longley

JAMES LONGLEY & CO has won £15m worth of contracts including a £5.5m 57,000 sq ft Sainsbury superstore in Portsmouth, Hants, and a £5.5m aircraft hangar for Dan Air at Gatwick Airport. These gains are additional to the £24m of new contracts announced last month.

At Eton College a two-phase alterations and refurbishment programme for the existing science block will provide language laboratories and an audio visual cinema. Under a £420,000 contract for the Historic Building and Monument Commission repairs and modifications are to be made to Battle Abbey Great Gatehouse exhibition and museum rooms.

The project for the Queen Alexandra Hospital Home for disabled ex-servicemen in Worthing, Sussex, involves the construction of a £900,000 60-bed dormitory annexe and ancilliary facilities. At the Royal Hospital & Home, Putney, London SW15, the £1.6m second phase of a major refurbishment contract will result in full modernisation of the original hospital building while it remains in continuous use.

Two Surrey projects include a three- storey retail and office scheme in Sutton, to be designed and built by Longley for Marshall's Charity, and refurbishment of Beecham Pharmaceutical's premises at Hunters Chase, Walton Heath.

Barclays Bank's branch at Crawley, Sussex, is to be partly refitted and a similar contract is to be undertaken for solicitors D J Freeman at its offices in New Street, London EC4.

£15m building services

DRAKE & SCULL ENGINEERING (a Simon Engineering company) has secured contracts valued at £15m for building engineering services in the UK.

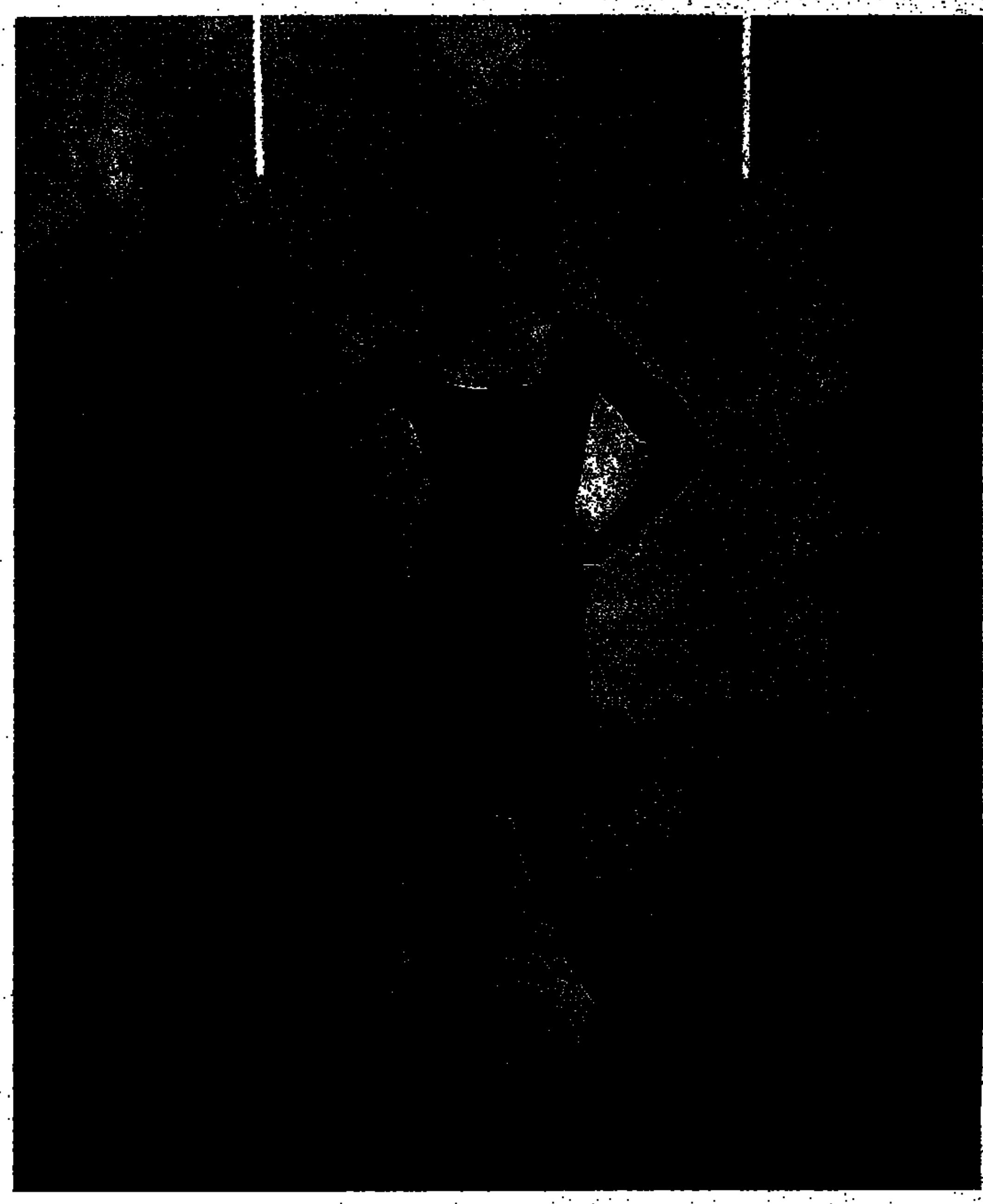
Two of the larger contracts are in Portsmouth. One, valued at £4.37m, calls for mechanical, electrical and plumbing services to be installed in the new Cascades Shopping Centre. The second worth £3.21m, is for mechanical and electrical installations in a new operating theatre and imaging block at St Mary's Hospital.

In Cambuslang, modernisation of 194 houses is to be undertaken at a cost of £3.26m under a contract awarded by the City of Glasgow District Council.

Design and installation of the mechanical, electrical and plumbing services worth £1.33m are to be undertaken for Granada Studios Tour's new tourist attraction at Castlefield, Manchester. Mechanical and electrical work valued at £1.35m is to be carried out at the Data Processing Centre in Wavertree Technology Park, Liverpool.

Other projects total £1.21m.

PILKINGTON MAKES OVER 20% OF THE WORLD'S FLAT GLASS. SOMETHING THAT'S EASILY IGNORED.



Be honest, did you notice the sheet of glass hanging in front of the girl?

No. And that happens to most of the 2.2 million tonnes of glass that we make every year.

What can't be overlooked is Pilkington's performance.

Last year our profits rose 108% producing £256 million. Our sales of flat and safety glass went up by 71%, which accounted for more than three-quarters of our total profit.

We operate in 36 countries and licence the float glass process to 28.

This process is used to make 98% of the world's flat glass.

Since then we've increased our list of firsts.

A clear glass that becomes a barrier against heat, flame and smoke, in case of fire. A glass that lets the heat of the sun in, but not out, and plastic-faced anti-lacerative windscreens.

And there's more in the pipeline.

We invested £64 million in research and development last year to produce the next generation of Pilkington products.

You may continue to ignore our products but we're sure our performance will continue to attract your attention.

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THE MONDAY PAGE

Sell Yellowstone Park, Mr Reagan, but don't deflate

Stephen Marglin considers the challenges facing American economic policy makers

NO ONE needs reminding that there is now a great deal of economic uncertainty. But observe that the uncertainty is all on the downside. The risk of a recession is unquestionably much higher now than on October 18. For this reason, it is a serious error to continue to focus on the US budget deficit, whatever the merits of deficit reduction might have been before Black Monday.

The surest way to a recession is to attack the budget deficit in earnest. If government spending were lower or taxes higher, aggregate demand would fall. Inexorably, production would decline. And with production, incomes.

If the markets require reassurance that "something is being done about the deficit", by all means let us provide reassurance. But not in a way which throws the economy into recession.

'Privatisation' takes on a new attractiveness in this context, for the money that privatisation brings into the public treasury involves an exchange of assets rather than a reduction of spending for newly produced goods and services.

Unfortunately, compared to Mrs Thatcher or Mr Chirac, Mr Reagan has precious little to sell. His own party might desert him if it were to come to privatising the national parks - imagine Yellowstone a theme park - or turning the interstates over to private entrepreneurs.

It must be said that, since 1983, President Reagan's performance in the economic sphere has been infinitely better than his rhetoric. In a world awash with excess saving, American budget deficits have been crucial to making up the global demand deficiency. Deploring decades of Keynsian policies may give solace to his party, but the truth is that no one could have followed Keynesian logic more closely - whatever name might have been given to the policies.

However, expanding the global economy has entailed huge international payments imbalances and an increasing foreign debt. Policies that would have involved no adverse international consequences when the dollar was grossly undervalued, as in the 1950s, will not work in the environment of the 1980s. The days of American hegemony are long past.

The conventional wisdom is that reduction of the budget deficit will reduce the external deficit. The conventional wisdom may be right, albeit for the wrong reason. At one time it was believed that reducing the budget deficit would help the trade balance by reducing the pressure of government borrowing on interest rates.

This was supposed to allow the dollar to fall without the need to offset the inflow of foreign funds by inflationary increases in the domestic money supply. That was the theory.

Instead, deficit reduction is likely to operate on the US external account through the mechanism of recession.

A recession may alleviate the payments deficit - imports of consumption and investment goods will fall along with domestic production and income. But apart from the questionable wisdom of curing the disease with medicine that may endanger the patient, the consequences for the budget deficit itself are likely in the end to be negative. A recession will cause tax revenues to decline and welfare expenditures to rise by more than any feasible tax increases and spending cuts which might be enacted today.

It is possible to solve the US balance of payments problem without worsening the risks of recession, but not without the co-operation of other major economic players. If Black Monday was an expression of no confidence, the message is a much deeper one than a commentary on a particular mix of policies. It is a recognition of the limits to policies "made in the USA".

The West German role is particularly crucial. On an optimistic scenario, the Germans (and the Japanese> have been jolted out of their complacency by the fall in the stock market and will agree to expand their economies.

The effect of a German expansion would be particularly dramatic since the other members of the European Community could easily be persuaded to follow a German lead, and together the countries of the EC constitute an economic unit of the same order of magnitude as the US economy. American exports would increase in direct proportion to European expansion. In this scenario, a reduction in the US budget deficit could take place without risk to the American or the world economy.

But what if the Germans and Japanese decline to act responsibly? Washington must then consider how to nudge them in the proper direction. Mr James Baker, the Treasury Secretary, seems disposed to a 1980s version of dollar diplomacy - a threat to leave the dollar to the mercy of the market.

It is unlikely to be in anybody's interest for the US to rely on the weapon of currency depreciation, whether managed or determined by market forces. Even a rapid depreciation of the dollar is likely to adjust America's external accounts only with a considerable lag, and to do so at considerable cost, both in terms of the standard of living in the US and in terms of output forgone abroad if currency appreciation triggers recession. Nor are other countries without means of retaliation. There is a distinct possibility that substantial depreciation of the dollar might trigger trade war rather than bring about equilibrium.

Currency depreciation may have merit as a threat; the danger is that the threat will become a substitute for co-operation, rather than a stimulus to multilateral action. We have already lost much time in refusing to face the need for collective economic responsibility. But this may be the moment. Nothing concentrates the mind, said Samuel Johnson, like the prospect of being hanged. Or, he might have added, the prospect of global recession.

The author is professor of economics at Harvard University.

INTERVIEW

Prophet of the revolution

Norman Tebbit describes his vision of Tory populism to Peter Riddell

THE TORIES have become "a sort of anti-establishment establishment party" over the past decade, says Mr Norman Tebbit.

One measure of this, he argues, is the Government's refusal to bow to City pressures to drop the BP share sale. He says it is open to doubt whether previous Conservative Governments would have behaved in the same way. They might have "felt it their duty to bail people out in the City."

But now, "what many people thought was our favourite child knows that the rules of the market apply to it as well." According to Mr Tebbit, saying no to Rothschilds is part of the new attitude. "The Conservative Party treats everybody much more equally, whether they are solicitors seeking a continuation of their monopoly or merchant banks looking to be eased of their liabilities or Bloggs and Co looking for a subsidy."

Mr Tebbit has always been the most articulate exponent of Tory populism and there is no sign of any weariness with politics as he completes his transition from high office - leaving the Cabinet in June and the Conservative Party chairmanship a week ago - to become a backbencher and non-executive director. This voluntary change was made partly so he could spend more time with his wife, who was injured, like him, in the Brighton bombing three years ago, and partly to broaden his career.

Talking in his panelled office at Westminster overlooking the Thames, the private Mr Tebbit does not match his abrasive public image. He is affable, thoughtful, even detached, though always with a barbed remark near the surface.

He highlights social changes in the party as the key to its success since 1979. The image of the party he grew up with in north-east London in the 1940s and 1950s was of the local Young Conservatives' branch as the smart social set in town, "for people who were comfortably off.

"They did not want to know the factory workers and even the skilled self-employed men. The idea was that grammar schools were for people who became solicitors and went to universities and that the Tories didn't really care about the technical schools which were, or should have been, producing skilled craftsmen and artisans."

All this has changed now, partly, Mr Tebbit thinks, because of social changes such as "the burgeoning of the C1s and C2s (the skilled and semi-skilled workers) as a growing group not only in numbers but also in purchasing power."

He regards the 1970-74 Heath administration as a false dawn. The social changes ought, he feels, to have been personified by Mr Heath. "That is the terrible tragedy of Ted, that he was almost Mrs Thatcher." That government, when he was a new backbencher, was "a bit ahead of its time. Perhaps we hadn't quite got the resolve to carry things through. So when it got difficult there was a tendency to revert to the traditional British practice of government." No wonder Mr Heath and Mr Tebbit do not exactly admire each other.

Mr Tebbit sees a movement away from what he calls the old deferential system. "It is one of the reasons why we have done so badly in Scotland that the party there is still perceived as the Tory party was perceived in England in the 1950s." Part of the change in England is that "it was seen that people from backgrounds like mine could be there in the leading group of the Tory party and therefore if old Norman can do it why can't I. We changed our accent."

• PERSONAL FILE

1931: Born March 29
1947-49: Worked for Financial Times.
1953-70: After national service, a civil airline pilot and union official.
1970: Elected MP for Epping, later Chingford.
1979-1981: Trade Under-Secretary.
1981: Industry Minister of State.
1981-83: Employment Secretary.
1983-85: Trade and Industry Secretary.
1984: Brighton bombing, seriously injured.
1985-1987: Chancellor of the Duchy of Lancaster; Conservative Party chairman

Many more people can now identify with the Tories, he argues. *He recalls a recent conversation* with the patrician, though strongly free-market, Environment Secretary. Mr Nicholas Ridley said he knew how well the Tories were doing in the election when a local dustcart appeared with "Vote Ridley" posters stuck on it. "The idea 30 years ago of the dustmen in Tewkesbury identifying with Nicholas Ridley is quite extraordinary.

"I think that is a lot about style and a lot about the fact that we have been identifying the things that the chap in the pub and his wife always had a feeling were going wrong and trying to deal with them." He points to the lack of confidence in nationalisation and government control, to being bossed around by shop stewards, to home ownership ambitions and to "sharp resentment at the amount of money which disappeared from their pay cheques." The Tories, he says, made it plain that "we were not unduly impressed with British management at times, nor were a lot of workers."

However, Mr Tebbit acknowledges that the message has not been accepted in many of the big cities. He believes that this is because they have not yet received the benefits of Thatcherism. Part of the answer lies in the work of the urban development corporations and in breaking the system of dependency involved in being a council tenant, working for a local authority or living on benefits. But he also sees "a social conservatism in the working-class urban areas of the north which have suffered badly since the 1980 recession - where they don't yet see the Conservative Party in the same way as in the south."

Looking ahead, Mr Tebbit argues that as long as the Tories make it plain that they are "unimpressed by the work of some of the staff of the schools and by the way the health service uses the cash it gets, then we will continue to home in on people's natural feelings."

Mr Tebbit thinks it is very hard to imagine a Labour Government *at the moment unless* there is some political and economic catastrophe. He sees divisions within Labour between what he describes as the ideologists and the office-seekers. "If it is not a socialist party, what is it? A party that can just take the rough edges off what we've been doing, making privatised industries work better. I think that's a difficult appeal to make from a party with the structure and nature of Labour." Sooner or later he believes a split is going to occur.

However, Mr Tebbit does not think the changes since 1979 are necessarily irreversible if, for example, there was severe economic trouble, even though they are becoming more deeply bedded in. "Nobody will be able to reduce the level of home ownership again and, as people get some choice in education, it will be difficult to take that away from them."

Similarly, he highlights the changes in government/industry relations. "If a manufacturing company gets into financial trouble, I don't think anyone expects they will be bailed out. They know that if they screw it up they're going to have solve it themselves or someone will have to solve it for them through the market."

Mr Tebbit will in future be looking at these questions from a different angle. He has so far taken on four non-executive directorships - British Telecom, Blue Arrow, Sears and BET - and may accept two more, *including one in "a real manufac*turing company" since he reckons that half a dozen is about the maximum he can handle.

BT has attracted most interest, not least because as Trade and Industry Secretary from 1983 to 1985 Mr Tebbit was responsible for the privatisation of BT and setting up its regulatory structure. Apart from the traditional duties of a non-executive director "to remind the executives who owns the company", he thinks he can offer a broader insight given the job to be done both in improving the quality of service and in ensuring that perceptions of it are right.

Mr Tebbit intends to be an active backbencher, acting like a pilot fish pushing ahead the political debate. On the health service, he argues that "the only essential is that patients receive treatment even if they can't pay for it." He regards the type of organisation as secondary. The argument "revolves around the extent to which people may choose to put more of their own money into buying extra, whether carpets on the ward, or, as the Prime Minister put it, getting the operation on the day they want it." He sees it as a supplement, not a substitute, for the present NHS.

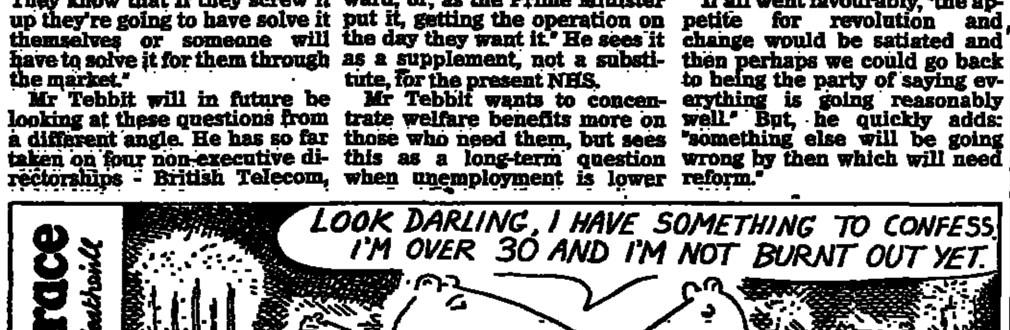
Mr Tebbit wants to concentrate welfare benefits more on those who need them, but sees this as a long-term question when unemployment is lower and the problems of poverty not as great as they are now. "It's difficult to turn the whole thing over at the moment."

As a pointer he stresses the changes in trade union law since 1979 where "the Government was successful in moving just behind public opinion. We'd conditioned and created public opinion and moved along."

Similarly, "if we are to attempt any reforms in such explosive areas as the health service or welfare, we'd have to start a debate going which got the public to look at them in a different way - not to lose the baby of the welfare state, but get rid of some of the bath water which is in danger of drowning the poor little thing."

Joking about a long revolution, lasting perhaps 20 years, even Mr Tebbit sees a limit to the extent of changes. "When you've run through health and education and had another hard look at the structure of welfare benefits, then it's difficult to see where the revolution could go on from there."

If all went favourably, "the appetite for revolution and change would be satiated and then perhaps we could go back to being the party of saying everything is going reasonably well." But, he quickly adds: "something else will be going wrong by then which will need reform."



A lesson in scrutiny

THE WITHDRAWAL of Judge Douglas Ginsburg from nomination to the US Supreme Court, hard on the heels of the Senate's rejection of Judge Robert Bork sharply focuses interest on the appointment of the higher judiciary in a democratic society.

In a country where, constitutionally, courts are an arm of government, it is not surprising that a system of executive choice of unelected judges should be politically unacceptable. Hence a presidential nominee for appointment to the final court of appeal requires the Senate's consent. Scrutiny of a nominee's record and jurisprudential beliefs is valuable in helping to articulate the criteria for a good judge. Candidates for high judicial office are thus exposed to cross-examination by Senators, and sometimes disqualify themselves.

Judge Bork's intellectual arrogance in lecturing the Senate Judiciary Committee, coupled with his publicly proclaimed politico-legal conservativism, brought about his downfall. He became the 28th reject out of nearly 140 Supreme Court nominees placed before the Senate since 1789. Judge Ginsburg's predictable withdrawal followed media revelations of youthful drug-taking indiscretions and dubious activities while working in the anti-trust division of the Justice Department. Without a direct rejection by the Senate, a double snub has been inflicted on President Reagan.

This open and critical procedure for making judicial appointments is typical of the American desire to ensure probity in its Federal judges and to instil public confidence in the legal system.

Whatever virtues this process possesses, it would find no acceptance in the UK, where the assumption is that judges are not politically motivated in their decisions. Parliamentary sovereignty is loyally acknowledged. If judges were to step outside their judicial province, parliament would always have the last word, since there is no power in the courts to declare legislation unconstitutional. Sensitive to their role as interpreters of the law, UK judges play a more restricted part in government.

The US lesson relates to the procedure of nomination rather than to senatorial disapproval. President Reagan's overt attempt to shift the balance of the nine-judge Supreme Court towards his own brand of political and social conservativism has been thwarted twice, not so much because of Senate hostility but because White House officials applied insufficient rigour in the choosing. Both of the nominees were vulnerable to rejection long before the Senate began its mauling exercise.

It is, in short, the process of selection that is crucial. Therein lies the rub. The American experience serves as a reminder that the process of appointment to the English Bench lacks openness. Is the selection process also suspect?

Appointments to the High Court in England are few. The High Court bench numbers about 90 and the yearly average number of appointments is about six. There is, in addition, an establishment of 11 Law Lords and 19 Lords Justices of Appeal. The occasional vacancies in those appellate courts are normally filled by promotion from among existing High Court judges. The pool of barristers from whom superior court judges are drawn is a small proportion of the 400 practising Queen's Counsels. Some are too old - the practice generally is not to appoint anybody over 60. Others positively do not wish to forego their normal lifestyle.

The list of potential candidates is thus short. The Lord Chancellor, who exclusively does the choosing, consults the senior judges and relies upon his staff to keep a watch on those under consideration. Ordinarily a Lord Chancellor will have practised at the Bar and have personal knowledge of most, if not all, of the candidates.

JUSTINIAN

dates. The new Lord Chancellor does not possess that knowledge, since he has not practised in the English courts (save for one or two appearances in the House of Lords when he was Lord Advocate) and has seen only a handful of practitioners in his two years as a Law Lord.

Will that matter? Does it mean this is a good moment to alter the selection system by establishing an advisory committee to assist the Lord Chancellor?

The last Vice-Chancellor, Sir Robert Megarry, once wrote: "The system of appointment to judicial office in England is about as English as it could be: theoretically it is open to great abuse, but in practice it works extremely well." Lord Gardiner, as a reforming Labour Lord Chancellor in the late 1960s, observed: "It is of considerable importance that a method of appointment which has proved so satisfactory should not be altered."

Theirs is not a universal view. Voices have been raised against the system, not because there has been any ostensible abuse but because it is unfair on those not chosen. Any process of selection which is not subject to public scrutiny must at least be, and be seen to be, both painstaking and fair.

Proposals for establishing a committee to advise the Lord Chancellor are not new. The Haldane Committee on the machinery of government in 1918 proposed that the Lord Chancellor should be required to consult a committee before making a judicial appointment.

Architecture/Colin Amery

Gothic: a Puritan view

From time to time there are exhibitions that are cultural landmarks: they illuminate a whole area of our national artistic past that before we had taken for granted. That was the case when the Arts Council arranged the *English Romanesque Art* at the Hayward Gallery in 1984; it is equally true of the newly opened exhibition at the Royal Academy: *Age of Chivalry: Art in Plantagenent England 1200 -1400*. Unquestionably one of the great winter exhibitions, it will run until March 6: and on the strength of two visits, I can only recommend as many as possible. My colleague David Piper *will also be reviewing it* tomorrow, but it is impossible not to consider it both in terms of English Gothic architecture and as an illuminating example of contemporary exhibition design.

Any traveller in England is constantly confronted by the architecture of the Middle Ages - cathedrals and castles, churches and manor houses, and the occasional great tithe barn as well as the general configuration of many villages. Of course much has disappeared, particularly remains of humbler dwellings, but our picture of Plantagenent England can still be a well rounded one.

What a display like this one can do is to demonstrate clearly the development of the Gothic style in England. From its beginnings, in the reign of Henry III (1216 -1272) under the influence of France, through the growth of Early English, Decorated and Perpendicular Gothic. E.E., Dec., and Perp.,this RA exhibition clearly illustrates the development of the style, and its changing characteristics, by showing art works of various media chronologically, together with photographs of some of their settings.

For the layman, there are many revelations. Probably for the first time you will have objects and fragments of architecture at eye level,in well-lit conditions, to be studied at close quarters. To be able to rub your nose against crudely leaded stained glass, to study the marks of masons or the sketch on the back of a manuscript is to be more deeply immersed in the Gothic creative experience than you would find possible in the routine examination of a parish church.

"Medieval artists and their techniques" is the section of the exhibition that will particularly intrigue anyone interested in the mechanics of creation, especially in an age when so many artists and craftsmen remain anonymous.

It is worth assessing the atmosphere evoked by the setting of the exhibition. The designers are partners Alan Stanton and Paul Williams. Paul Williams is the designer who created the brilliant setting in the intransigent Hayward for the Romanesque exhibtion; architect Alan Stanton has recently joined him.

Do not expect the Royal Academy to look like Pugin's Medieval Court at the Great Exhibition of 1851, glowing with surface decoration and colour. These designers have a post-Reformation view of the Gothic style - the Puritan's view. Do not expect, as you well might from the exhibitions's title "Age of Chivalry," halls hung with banners, rampant heraldry or plumed helms. Instead you will see the classical rooms of Burlington House given a simple Gothic treatment - but it is a minimal one. Not until you reach the largest gallery, Gallery III, do you see a Gothic vault and a room arranged with aisles as though it was itself a Gothic space.

This is a magnificently designed exhibition room - evocative of the period without pastiche - and arranged for the best possible display of a diverse array of objects from the reigns of Henry III and Edward II. The designers have been so cautious not to imitate the Gothic beyond the pointed arch that their agreement to the indication of actual joints between the implied blocks of stone must have been a a moment of pure daring.

There are some extremely beautiful effects in the exhibition: one is the long central vista seen looking back from Room IX; the other is the triumphant display of stained glass in the central octagon, which now has the feel of the noblest chapter house in England.

There is a low level of general light throughout the exhibtion, which sometimes makes it impossible to read captions, but otherwise allows the spotlit glow to reflect from the precious objects.

It is hard to conceive the technical problems involved in bringing to London the stained glass window from Canterbury Cathedral, or the delicate negotiations with clergy and parish councils that resulted in the removal of misericords, the loan of sculptures - to say nothing of the movement of rare wood carvings from Norway and Normandy. The Mosvik St.Michael with its surviving polychromy, and the stone virgin and archangel from Westminster Abbey, are among the most beautiful objects in the exhibition.

A misericord, c1379:three men mowing, at the RA Exhibition

Conservation and the correct environmental conditions for the works on show are a major part of any designer's brief alongside lighting and the graphic design of an exhibition. These aspects are well handled at the R.A.- you sense throughout that all along the objects have come first .

There is one particularly fascinating room for anyone interested in Gothic architecture - the one devoted to the appreciation of the subject through the ages. Victorian visions, like the William Burges reconstruction of the shrine of Edward the Confessor in Westminster Abbey, show how our 20th century views of the Gothic are coloured by the 19th century visions of the glories of the style. There is a chance to compare the 18th century impression of the tomb of Robert Curthose, Duke of Normandy with the original wooden effigy on display at the exhibtion.

Turner's view of the octagon of Ely Cathedral not only conveys the brilliant light achieved by the design, but also invests the Gothic with a sense of the sublime, which is purely 18th century. There is Rickman's book, which he modestly entitled An Attempt to Discriminate the Styles Of Architecture, with his early definitions of the varieties of English Gothic: his definitions have survived the test of time and they inform this very exhibtion.

The audio visual display is a good 20 minutes basic explanation of the growth of the style. The commentary is a little simple, but it makes the point that we seem to have forgotten the Gothic heritage that surrounds us. What shine forth from this calm and beautiful exhibition are two things: one is the outstanding aesthetic quality of English Gothic art; the other is the strange and complex development of the geometry of English Gothic architecture, which grew from structural purity to the later explosions of decorative intensity.

Of course there is a third thing that can never be forgotten: the appalling destruction of both the Reformation and the Puritans. The consequences of those vandalistic episodes still make the English cautious about Gothic richness - and there is more than a hint of that caution in the careful celebration of the style that makes up this exhibition which is generously sponsored by Lloyds Bank and the J.Paul Getty Jr. Charitable Trust, with other donors.

Two Iphigenias in Frankfurt

Max Loppert

The opera season recently begun at the Frankfurt Opera House is also the start of a new era there. Michael Gielen, who in his period as general music director guided the Frankfurt company toward its current reputation as the most radical in Europe, has departed; and Gary Bertini, most distinguished of the current crop of leading Israeli conductors, has taken his place.

Bertini's first weeks, and his first three occupations of the Frankfurt pit, were planned to show the breadth of his sympathies: Gluck's *Iphigenie en Aulide* and *Iphigenie en Tauride*, both on a single evening, as the *grand spectacle du commencement*; *Cosi fan tutte*, produced by Graham Vick; and next week the world premiere of John Cage's *Europeras 1 + 2*. My plan this weekend to catch both the Mozart opening and the Gluck third performance faltered on the illness of the Fiordiligi, Margaret Marshall, who caused the *Cosi* to be postponed.

But the Gluck went ahead untroubled by anything other than the boos of those patrons disappointed by the unradical nature of Michael Cacoyannis's productions - taste in Frankfurt has evidently been successfully reshaped by the bold nature of Gielen's experiments, and it remains to see whether Bertini and his producers can provide either a similar or else a strong alternative source of stimulation.

Next week falls the exact day of the Gluck bicentenary. It was gratifying, when all the leading British opera companies and festivals have been so shamefully neglectful of the anniversary, that an important new European music director should make such a significant feature of its celebration. I found the evening impressive, not entirely satisfying. The main reason was the yoking-together of the two works; at least it was not achieved by means of huge Procrustean truncations, in the manner of David Freeman's South Bank *Iphigenias* last August - in Frankfurt the cuts, mainly in *Aulide*, were a slight irritation rather than a grinding agony.

But it was still an unnatural, and narratively illogical, connexion of two separate , entirely distinct works. (It would make only a little less sense to play *Parsifal* and *Lohengrin* on the same day because the former is the latter's father.) I don't feel anything is gained for the Gluck cause, except of course the reward of hearing two of his greatest operas, both of them far too seldom done. It was also a rewarding notion to play the works in German translation - in the era of pernicious international surtitle-itis, it was good to be reminded just how much more theatrically involving the use of the audience's own language can be. Altogether, however, less - i.e. just one *Iphigenie* opera - might well have meant more.

Cacoyannis, renowned Greek film director of Euripides films (and, of course, of *Zorba the Greek*), is a skilful manipulator of operatic spectacle. He and designer Dionisis Fotopoulos have created a long rectangular single set, with framing pillars, moveable ceiling, and side arches, which served both works as a handsome enclosing space - seashore meeting-place in the first, mountain temple in the second. The chosen style, reflected in the gold, red, gunmetal, or black robes, was not a reflection of 18th century neo-classicism but a glossy, and at root rather banal, modern resume of ancient Greek ritual, with much discreet procession, business with gewgaws, emotional flapping of sleeves.

This worked more effectively in the grander, more dramatically various *Aulide* opera than in the sublime "interior" drama of *Tauride*; but in both operas the essential quality of intense directness came from the best of the singers, and therefore in this case fleetingly, rather than from any directorial perceptiveness. One could imagine any Greek-located opera played just as well or suitably in this all-purpose set and manner - it offers no single, singularly imaginative focus on Gluck.

Bertini conducted warmly, sensitively, with love for the music and consideration for his singers. But, in common with the producer, he favoured contours, phrase-shapes, orchestral blends, and tempo choices which owed little to any convinced or stylistically idiomatic reappraisal of neo-classical style - there was a want of hard attack, vigorous forward movement (*allegro* almost always made *moderato*), sharp seizing on those sublimely simple strokes of colour in which both operas abound. Storms, both of the soul and, in the second opera, of nature, tended to be smoothed down. It was not dull conducting (though neither orchestral nor choral work was flawless), but it lacked the dramatic urgency to keep the flame of music-drama burning throughout the long evening (with one long interval only, placed between the two operas)

The cast had only a single German,the bright-voiced, somewhat anonymous Gabriele Maria Ronge as the *Tauride* heroine, among its list of principals. All were accomplished in stringently difficult music and in clear delivery of the words. First-rate Gluck performers, always hard to find at the best of times, were rather fewer in number; only the Orestes of Francois Le Roux, singing in excellent German rather than his native French, and the Pylades of Keith Lewis (whose three arias, especially "Ah, mon ami", were the high points of the evening) were vocally of the desired standard. Clarry Bartha, a beautiful and very musical Swedish soprano, made a deeply touching figure of the *Aulide* Iphigenia, but failed at times to carry her line clearly. John Broecheler (Agamemnon), Marjana Lipovsek (Clytemnestra), Curtis Rayam (Achilles), and Tom Fox (Toas) all tended to subsitute power for intensity of expression. A noble, worthy endeavour, all in all, but not really a successful one.

The Winter's Tale/Sheffield Crucible

Michael Coveney

The roof inside the Sheffield Crucible is studded with tiny lights, providing a ready-made constellated vault of heaven. In ambitious response, designer Tom Cairns creates a cosmic Sicilia and suspends a planetary sphere above Leontes' white and Arctic court. A white rock obtrudes from a sunken circular pit, and the white cylindrical back wall rotates slowly throughout the first three acts until a sea-tossed skyscape is fully revealed and confirms our arrival on the Bohemian shore.

The early scenes are enlivened by Jim Broadbent's comic rages of jealousy as Leontes.His monarch is a regal thug in collarless white shirt and black suit, driving Helen Cooper's too softly-spoken Hermione to sad distraction, a state she registers by clutching her tumescent belly like a bag of potatoes.

A red-skinned trio of silent furies attends on Mr Broadbent's transition from friendly host to liverish, foetally withdrawing emotional hothead.The Natural Theatre of Bath must be in town, first sign of Paulina's enthusiastic patronage of "the rare Italian master, Giulio Romano," whose human sculptures, a papier mache job lot from the last performance art festival, dominate the fifth act.

First sign, too, of good ideas overtaking good sense. Much of the treatment of the play's language is cavalier and inexpert.Even worse, you simply cannot hear it half the time. The director, Steven Pimlott, after creating an air of fashionable minimalism with grey suits, isolated bits of furniture and stark whiteness, goes chaotically barmy in Bohemia.

It saddens me to say this, for I strongly approve of all attempts to synthesize new manners of expression in dance, music, design. Messrs Pimlott and Cairns are key figures in a healthily active movement, and it is admirable of the Crucible to encourage them. But *The Winter's Tale* is a complex play whose themes require a much higher standard of articulation. In this respect, the show is a chastening reminder of how wide can yawn the gap between the RSC and the rest of the nation.

The rustic regeneration is an over-elaborate pagan folk ritual, with pop-up flowers, a grassy hillock, stuffed birds and a distant cornfield in which resides the choric figure of Time as winged Mercury(Martin Duncan) seated at a wheezy harmonium.Ian Spink's choreography of the sheep shearing and dance of daemonic herdsmen is unbelievably sloppy. There is no joy here, merely the worst sort of unresonating visual hotch potch that characterises some areas of contemporary opera production.

Florizel and Perdita(John Jay and Rachel Joyce) are a charmless couple at the best of times, their love and loyalty to each other needs far more persuasion in the acting. Leonard Maguire's Old Shepherd is roguish but incomprehensible and I feared for his life when he was thrown across the stage. At least John Ramm's Autolycus, a wryly opportunistic provincial who takes easily to Florizel's beige designer casuals, keeps his, and our, eyes on the play.

On returning to Sicilia, we find the rock vanished - claimed, perhaps, by the polar bears in a local zoo - and Leontes' "airless kingdom" given over to a modern art gallery with sunken punishment well and a deeply descending(and deeply dangerous) staircase atop which a jaundiced Miss Cooper in a conciliatory marbloid pose is the stillest human statue imaginable.

A string quartet provides an atmosphere of tears and throbbing ecstasy, elsewhere in short supply, and infuriatingly blots out the one reliably audible verse-speaker, Rosalind Knight. Her constructively ferocious Paulina is in a class of its own, and I suggest she enrols more members immediately.

Stephen Mann

New Ray Cooney comedy

A new Ray Cooney comedy, *It Runs in the Family*, will have its world premiere at the Yvonne Arnaud Theatre, Guildford, on November 24. Starring Mr. Cooney himself, other members of the cast include John Quayle, Una Stubbs,and Bill Pertwee.

Guardian Angels/Coventry

Michael Coveney

Julian Garner's new play at the Belgrade, Coventry, is about his grandparents, a memorial to their meeting and marrying in Chiselhurst during the last War. It starts, though, with old Frank's ghost surprising the widowed May in 1966, reminding her of how his teeth fell out in the dodgems at Ramsgate.

There is not much urgency or fluency to these opening scenes.On an English vegetable patch in 1939, May's teenage brother Jack is reported to have exposed himself and skyved off school. Jack is retarded and likes playing with dolls' underclothes.

In another sort of flash, we backtrack to an Irish Catholic orphanage where Frank's stutter earns him a belting from two sadistic monks.He cannot pronounce his own name without seeming to preface it with an incongruous "Sir." This drives the monks mad but had me in fits. Frank runs off, but it is still not clear how he comes to be looking for lodgings in the English Home Counties.

The play idles along until Frank is seen being unsociable in a London hurling club . Behind the net, which comes between us and the balls being batted around the stage in more senses than one, Frank refuses a three-line whip to a Sinn Fein rally in the neighbourhood. In Act Two we hear of the 1939 IRA bomb outrage in Coventry, which killed five people, and Frank has been beaten up for being an Irishman. Next we see him on the run in Ireland in 1921, blood on his hands. A monk is tortured and beaten by two Black and Tans and required to address his persecutors as "Sir."

You get the picture. It is all very well, and most of it probably true, but the methods of dramatic communication are less adventurous than tedious. The animation of family memories is an admirable instinct to encourage, but you know the feeling when invited to flick through somebody else's photograph album.You suddenly remember it's time for tea or time to go.

Frank is eagerly played by Frank Brennan but, apart from his recantation, he is a dull figure. He has fallen for May who, in an irrelevant woodland romantic scene with a German Jew, has become pregnant. Frank wants May the minute he sees her in a Chiselhurst pub. His dead mother has urged him on the road to England - he has to wait until May has learned of the Jew's death in a seance.

May is touchingly played by Rosie Rowell after the style of Charlton Heston as Thomas More - with two bad wigs. One looks like a dead racoon and has to be held on at moments of high excitement. Once or twice, in other words. May then gets sore nipples and and Jack is found dead in a pond. They have to call back the ambulance that has just dropped off Frank.

This is all too much of Cold Comfort Farm gone berserk to withstand our incredulity, not in the events so much as in their telling.Robert Hamlin's production seems impervious to the coarser structural devices and disconcerts the audience with sudden outbursts of foul language followed by soothing Irish jigs in the landscape. Adrian Rees's ungainly settings, trucked monastery and sitting rooms less attractive than the vegetable patch, reinforce the sense of awkwardness. Tina Gray has her moments of earthiness on this plot as the great- grandmother, and Barry Birch looks an attractive young actor when not acting too much.

It may be that Frank's story should have been told in a different, more concentrated manner.There is too much too sketchily going on around his tale, and the effect is not one of density but of evaporation.

The Rover/Mermaid

Claire Armitstead

The transfer of *The Rover* from the Swan to the Mermaid brings to London a play as interesting in its weaknesses as in its strengths. Director John Barton has grafted on to Aphra Behn's work lines from its source, Thomas Killigrew's *Thomaso* or *The Wanderer*, creating a hybrid that flowers fitfully in revival. Without having seen the production in Stratford, I should imagine the exuberant rough-and-tumble of the carnival scenes had an impetus there that is dispersed in the flatter Mermaid, leaving a piece that is formulaic in much of its writing and unresolved in much of its characterisation.

First produced in 1677 The Rover is set in Spain during the Interregnum, where a group of exiled cavaliers spread themselves among the local populace, not reckoning on the wiles of the three sisters, Florinda, Valeria and Hellena, who throw corsets to the winds to join their menfolk in the revelry. Barton has controversially chosen to transport it to a Spanish colony, with mulattoo whores and local worthies flashy in black velvet buckled with Toledo swords – in contrast with Hugh Quarshie's dignified English colonel, whose suit for the fair Florinda (Geraldine Fitzgerald) has been spurned by her father and brother.

The plot bowls along a somewhat predictable course, with its quota of twists and trysts (the latter, in a garden by night, ending in the first of two narrowly aborted rapes), of disguises, deceptions and duels. David Troughton deliciously recreates the role of the country buffoon, Blunt, who is cozened and dunked in a sewer in a tradition of gulling and attempted revenge that is pure Jonson.

The central problem of the play lies in the triangle of the deceitful rover, Willmore (Jeremy Irons), the plucky Hellena (Imogen Stubbs) and the famous courtesan, Angellica Bianca, who loses her "virgin heart" to him. It is problematic because, despite attempts to claim the play as proto-feminist, the two women are inevitably the losers. Willmore, an entirely irredeemable character, ends up with a maidenhead and a fortune. He might submit to marriage in return, but there is no sense of moral resolution.

Arts guide

November 6-12

Music

LONDON

BBC Philharmonic Orchestra conducted by Luciano Berio with Sabine Meyer, clarinet, and Katia and Marielle Labeque, pianos. Haydn, Brahms and Berio. Barbican Hall (Mon). (638 8891).

Melos Quartet, Beethoven, Wigmore Hall (Mon). (935 2141).

City of London Sinfonia conducted by Richad Hickox with Fou Ts'ong, piano. Handel and Mozart. Barbican Hall (Wed).

Melos Quartet, Beethoven, Wigmore Hall (Wed).

London Symphony Orchestra conducted by Claudio Abbado with Alexis Weissenberg, piano. Ravel and Prokofiev. Barbican Hall (Thur).

PARIS

Paata Burchuladze recital, Ljumila Ivanova, piano: Rachmaninov, Mussorgsky (Mon). Theatre de l'Athenee (47428727).

Colonne Choir and Orchestra conducted by Michel Corboz: Mendelssohn's Elijah (Mon). Trinity Church (42334444).

Ensemble Orchestral de Paris with Anne Queffelec, Piano: Ravel, Roussel, Chausson (Tue). Salle Gaveau (45633030).

Elisabeth Brasseur Choir performs Brahms' German Requiem with Orchestre Francais d'Oratorio conducted by JeanPierre Lore (Tue 8.30 PM, Wed 5.30PM). Saint Roch Church (42619326).

Elisabeth Chojnacka, Harpsichord: Bach, Horowitz, Ligeti, Xenakis (Tue, Thur 6.30 PM). Theatre de la Ville (42742277).

Orchestre de Paris conducted by Daniel Barenboim, Itzhak Perlman, violin: Mendelssohn, Scriabin (Wed, Thur). Salle Pleyel (45630796).

Orchestre National de France conducted by Neville Marriner: Cherubini, Mozart, Haydn (Thur). Theatre des Champs Elysees (47203637)

USSR State Symphony Orchestra conducted by Yevgenni Svetlanov, Loubov Timofeyeva, piano: Rachmaninov, Glazunov, Tchaikovsky (Mon). TMP Chatelet (42334444).

Henze (Thur). Amsterdam, Concertgebouw. (71 83 45)

NETHERLANDS

Concertgebouw Orchestra conducted by Gerd Albrecht, with Beatrice Haldas, soprano: Hindemith, Berg,

The Colorado Quartet performs Haydn, Laderman, Dvorak (Tue). The Touring Ensemble under Christian Bor: Mozart, Shostakovich, Dvorak (Thur). Utrecht, Vredenburg. Recital Hall (31 45 44)

Netherlands Chamber Orchestra conducted by Gustav Leonhardt Netherlands Chamber Choir, with Bob van Asperen, harpsichord: Sweelinck, Huygens and their contemporaries (Thur). Rotterdam, Doelen. Recital Hall (413 24 90).

NEW YORK

London Philharmonic, Klaus Tennstedt conducting. Mozart, Mahler (Tue); Vladimir Feltsman piano recital. First public appearance in the US since leaving the Soviet Union. Carnegie Hall:(247 7800)

New York Philharmonic. Erich Leinsdorf conducting. Schubert, Messiaen, Schumann (Wed). Lorne Munroe 'cello, Britten, Walton, Debussy (Tue); Kent Nagano conducting, Bella Davidovich piano. George Benjamin, Chopin, Bartok (Thur). Lincoln Center (Avery Fisher Hall) (874 2424)

Waverly Consort (Alice Tully): Lully, Lambert, Delalande, Couperin (Thur). Lincoln Center (362 1911).

WASHINGTON

National Symphony (Concert Hall), Rafael Fruhbeck de Burgos conducting, Janice Taylor mezzo soprano with Choral Arts Society of Washington directed by Norman Scribner. All Brahms programme (Tue); Lorin Maazel conducting. All Hindemith programme (Thur). Kennedy Center (254 3776)

CHICAGO

Chicago Symphony (Orchestra Hall), Leonard Slatkin conducting, William Powers baritone with Chicago Symphony Chorus. Barber, Hanson, W. Schuman (Thur). (435 8111).

TOKYO

New Japan Philharmonic Orchestra conducted by Seiji Ozawa. Verdi, Ravel. Tokyo Bunka Kaikan (Mon) (499 581).

Orchestre de la Suisse Romande, conducted by Armin Jordan, with Martha Argerich, piano. All Ravel programme. Hitomi Memorial Hall, Showa Women's College, Sangenjaya. (Mon) (573 3588).

Alban Berg Quartet. All Beethoven. Suntory Hall. (Tue). (505 1010).

Japan Philharmonic Symphony Orchestra, conductor, Hartmut Haenchen, with Yukino Fujiwara, piano. Mozart, Chopin, Beethoven. Kan i Hoken Hall, U Port, Gotanda. (Tue) (237 9990).

Tokyo Metropolitan Symphony Orchestra conducted by Adam Fischer; piano, Pascal Devoyon. Mozart, Liszt. Tokyo Bunka Kaikan. (Wed) (822 0727).

Gidon Kremer, violin with Martha Argerich, piano. Schumann, Bartok, Franck, Suntory Hall. (Wed) (573 3588).

Saleroom/Antony Thorncroft

Busy week coming up

This is the busiest week in the autumn season for the leading auction houses, with major sales in London, Geneva and New York, especially in New York.

All eyes will be fixed on Sotheby's in New York on Wednesday evening when it offers Van Gogh's "Irises," artistically a better picture than the celebrated "Sunflowers," which sold for a record £24.75m last March, but not so famous. Sotheby's hopes to draw out bids of over $20m from the canvas, but there is a chance that its quality will enable it to go for much more. The fall in the dollar should encourage Japanese buyers: but will the stock exchange crash deter some potential bidders, like the Australian, Mr Alan Bond.

The big new international auction house, Habsburg, Feldman starts with a bang this week with a series of major sales in Geneva.Most attention will centre on two giant Moghul coins being auctioned privately tonight. One, weighing 26lbs and eight inches in diameter, could sell for $10m, which would make it the most costly coin ever sold at auction, as well as the largest. It was minted in the early 17th century in Agra as a reward for a distinguished official.

Habsburg, Feldman is concentrating on works of art and is, offering jewels, watches and clocks, silver and, most intriguing, a cargo of "Nanking" porcelain, 8,000 items in all, which has apparantly surfaced from under the South China sea,

Back in London on Wednesday Sotheby's is holding its first auction concentrating on post War and contemporary British art. The feeling is that artists like Graham Sutherland are due for a greater appreciation, both artistically and in value. Sutherland's "Christ carrying the Cross" carries a £60,000 top estimate. On Friday Christie's offers modern British pictures, with a price in excess of £100,000 expected for "North Sea," a 1928 tempera on panel, which was the cover subject of the Royal Academy's "British Art in the 20th Century" exhibition earlier this year.

Investment

Some coins more equal than others

LONDON, 15. October. The multitude of coins available today places many a novice in a quandary. They are offered in all sizes and designs, and at all price levels through ads in the dailys or at banks or coin dealers.

Caveat emptor. Not all that glitters is a coin. Basically, there are five different types.

1. Bullion Investment Coins. Gold bullion investment coins are sold solely for the intrinsic value of the precious metal. They are produced in large numbers by major gold producing countries, such as Canada, Australia and U.S., thus are traded at a small premium over the actual price of the metal. As they are a pure investment vehicle, like gold bars, they have no numismatic value. They are favored over gold bars by investors as a store value, as they are more transportable and easier to trade. The value is easy to keep track of, as their price is based upon the daily fixing of gold.

2. Numismatic Coins. In general, these are coins which are bought by collectors for their beauty, as opposed to the value of their precious metal content. However, a truer definition would include those coins struck prior to 1804. The price has no relation whatsoever to the actual value of the metal. The factors determining the price of a coin are rarity, age, and condition or quality of the striking.

3. Semi-numismatic Coins. These are coins that were struck after 1804, however prior to 1850. The same criteria as those used with numismatic coins are used in determining their value. The buying and selling of one of these coins is, however, easier since they are available in greater quantities than those struck prior to 1804.

4. Current Coins. Current coins are those struck after 1850 and were in circulation during the time of the gold standard. There are still large quantities of these coins available today. The price is related to their gold content plus a fairly high agio.

The collecting of numismatic and semi-numismatic coins can also be considered a form of investing, however usually it is merely a rather expensive hobby. Current coins fall into a category between hobby and investment, since they also maintain ... value, even if the price of precio... should fall.

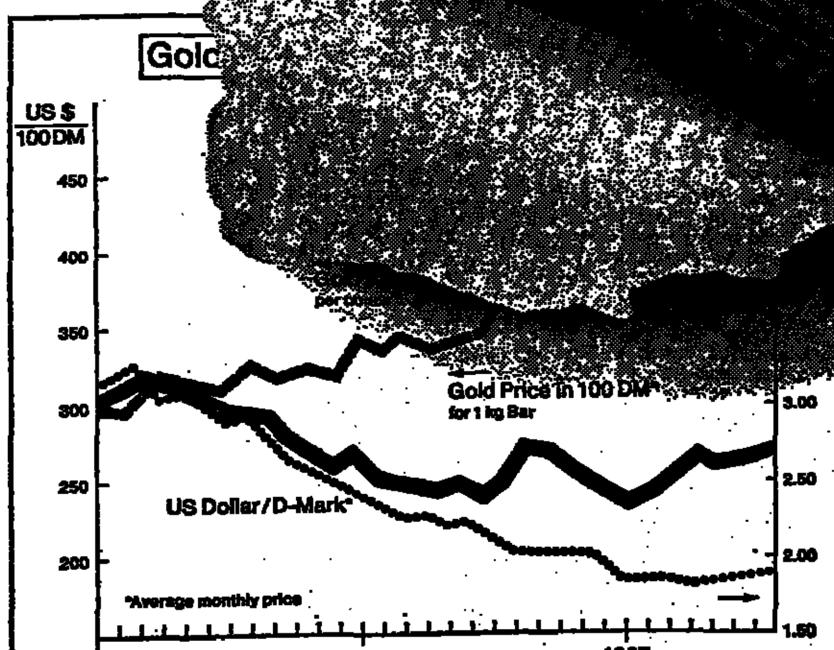
5. Medallions. ... col- lectables, but ... dered an investme... sued at some s... an anniversa... in value is ... ed and t... ur- ally ... ys a r... ies o...

Is n... in...

NEW YORK ... blems in the ... United States ... ing the expert... health of the ... question if this ... or are more ... closing, resulting ... all their customer... point to similarities to ... to the crash of '29, just ... have arguments to point o... different. This adds to the co... uncertainty. that ... around for a safe h... before it is lost to ... failure.

All paper instru... or securities, are s... tions caused by in... control of fina... government bodies. ... out that precious me... gold, offer the ideal store of ... value is intrinsic and not a... that of paper money.

Gold is international ... to the fortunes of any ... banking system. It can brin... sense of security, as it is ... surance policy ag... would come in a b...



Source: Handelsblatt.

Gold Maple Leaf makes a breakthrough

World's gold coin standard / Grows in popularity / Even attractive for small investor.

OTTAWA, 15. October. Gold, prized as a store of wealth over the ages, has not lost its shine even in the age of high technology and cashless transactions. This has been felt recently by the Royal Canadian Mint. According to a spokesman for the Mint, demand for the Gold Maple Leaf, the Canadian gold bullion coin which is struck in four sizes, has recently been brisk. Observers of the financial world contribute this to various factors. The primary reason is felt to be its universal recognition which ensures ease of trading wherever gold is sold around the world. Of almost equal importance is its unusual purity of .9999 or 24-carat. Most other gold coins rarely exceed .916 or 22-carat, the purity of the South African Krugerrand (which is no longer being produced).

A further aspect is that the Gold Maple Leaf is legal tender in a country known for political stability and for being a dependable trading partner. Since the coin is easily convertable currency, it is sold in most countries free of a value added tax. This is true in Luxembourg, Switzerland and Austria, while a minimal tax is charged in Belgium (1%) and Holland (4%).

Since the Gold Maple Leaf is struck in four sizes, it is able to satisfy the varying ...ent needs of all investors. It is ... one full troy ounce of pure ... 1/2, 1/4 and 1/10 ounce of ...es the coin attractive

the benefits of owning gold. The Gold Maple Leaf, which has been available since 1979, is produced only from gold mined in Canada.

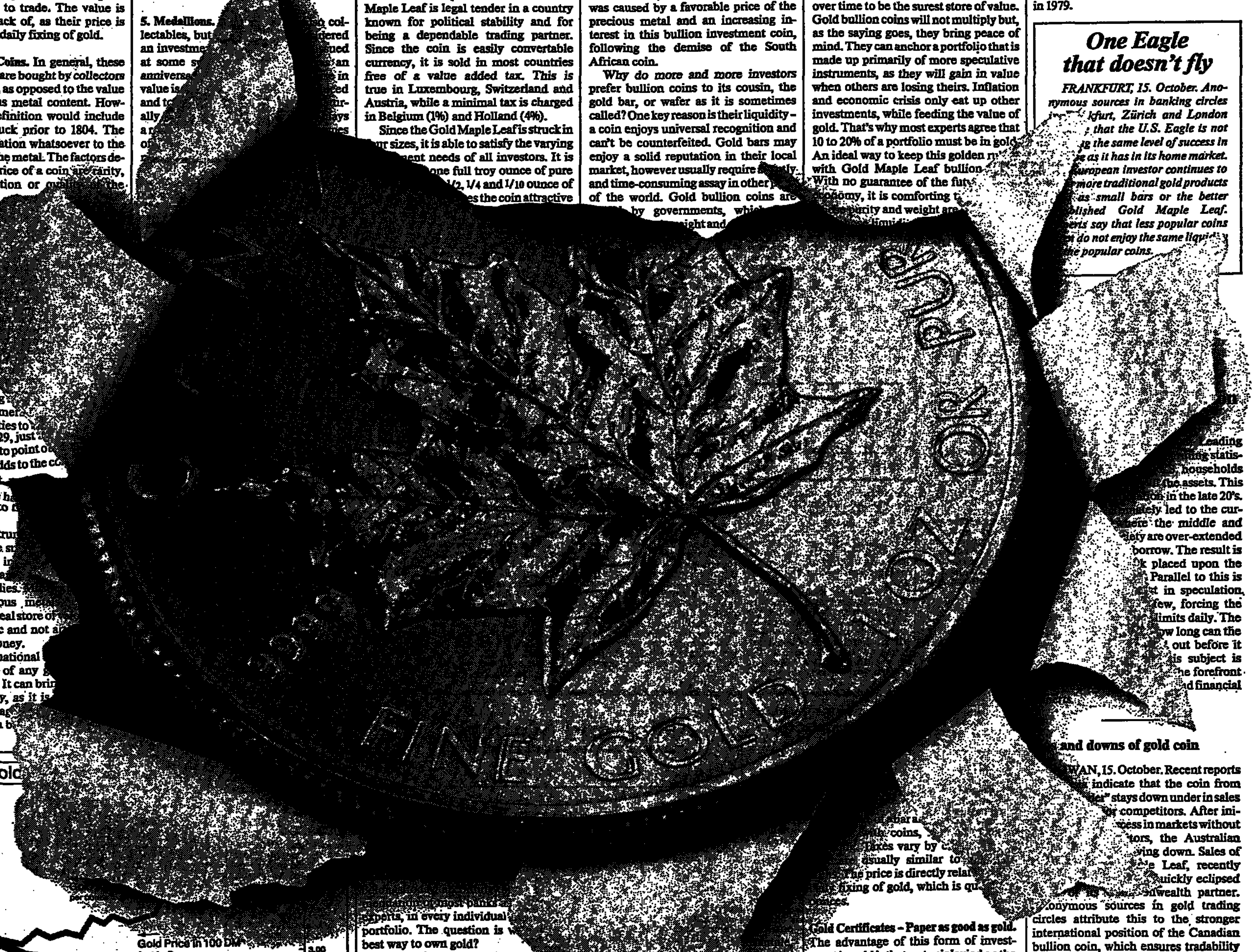
This accounts for its unusual yellow color compared to coins mixed with alloys. The use of Canadian gold is a requirement of the charter of the Royal Canadian Mint and it serves to support the Canadian mining industry. Gold was first discovered in Canada in 1858 and has been continually mined ever since. Canada is currently the third largest producer of gold in the world.

This objective is clearly being fulfilled, as indicated by sales results of the Canadian coin. Since its introduction in 1979, over 10 million Gold Maple Leaf coins – that's over 300 tons! – have been sold around the globe. The biggest jump came in 1985, when sales doubled. This was caused by a favorable price of the precious metal and an increasing interest in this bullion investment coin, following the demise of the South African coin.

Why do more and more investors prefer bullion coins to its cousin, the gold bar, or wafer as it is sometimes called? One key reason is their liquidity – a coin enjoys universal recognition and can't be counterfeited. Gold bars may enjoy a solid reputation in their local market, however usually require a costly and time-consuming assay in other p... of the world. Gold bullion coins are ... by governments, whi... ...ight and

respect, the Royal Canadian Mint is especially strict. Although the purity of each Gold Maple Leaf is given as .9999, it is actually closer to .99995. The weight on each coin is strictly controlled, with the weight struck on the coin being a minimum guaranteed by the Government of Canada. Independent tests have even shown that the coins are all above the minimum, showing that the Royal Canadian Mint gives a little gold away to ensure they meet the guarantee. No other coin has yet to show similar results.

It is fair to point out that a gold coin, and a bar for that matter, provides the owner with no interest. However, it can be still considered an investment instrument, but for other reasons. This is because it is a speculative object. But, more significantly, gold has been proven over time to be the surest store of value. Gold bullion coins will not multiply but, as the saying goes, they bring peace of mind. They can anchor a portfolio that is made up primarily of more speculative instruments, as they will gain in value when others are losing theirs. Inflation and economic crisis only eat up other investments, while feeding the value of gold. That's why most experts agree that 10 to 20% of a portfolio must be in gold. An ideal way to keep this golden ru... with Gold Maple Leaf bullion... With no guarantee of the fut... ...onomy, it is comforting t... ...purity and weight are ... liquidi...



...experts, in every individual ... portfolio. The question is w... best way to own gold?

The choice between bullion ... bars, certificates or a precious me... account depends upon the wants and needs of the individual investor. In addition, such aspects to consider are the availability of gold, the possibilities for resale and also personal taste of the ultimate owner.

Weight and Purity. Traditionally, the gold trade has dealt in troy ounces – one troy ounce equals 31.1035 grams. Today, however, the metric weight system is also accepted and used, thus gold is available in grams, kilos and tons.

Of particular importance is the purity or fineness of the gold. With small bars, or wafers as they are sometimes called, and the leading bullion coins, such as the Gold Maple Leaf, a purity of .9999 is normal. This means that the given piece contains no more than one ten thousandth of foreign matter. However, it really means that a greater purity is not possible nor really necessary.

Coins – solid and liquid. One differentiates, more or less, between numismatic coins and newly minted coins, or the so-called bullion investment coins. Nu-

... coins ... ounce, ... so that inv... gold to meet their ... of needs.

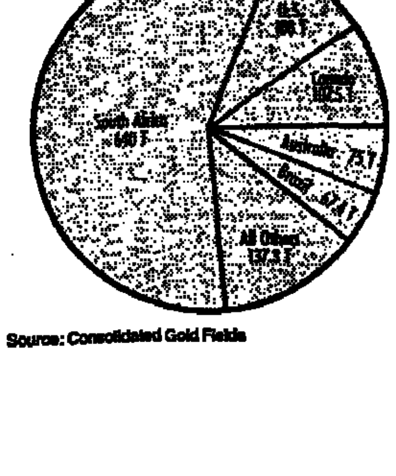
Most bullion coins enjoy international recognition and cannot be counterfeited. They can be exchanged for cash on demand most anywhere in the world where gold is traded. This contrasts to gold bars, which have been known to be counterfeited, thus usually require an assay to determine their purity. This is not only costly for the seller, but also takes time and requires formalities. The price of the leading coins can be found in the financial pages of most major newspapers. Or it can be determined from the daily fixing of gold. Many countries impose a sales tax on gold coins, as well as bars.

Bars-Familiar but not universally recognized. The majority of bars sold today range from 1 gram up to 12.5 kilograms. The small bars are produced at a purity of .9999 fine gold. The trade accepts only bars from a reputable refinery which have a serial number. When there is

... bar a... ...h coins, ... taxes vary by c... usually similar to ... The price is directly relat... fixing of gold, which is qu... ...ces.

Gold Certificates – Paper as good as gold. The advantage of this form of investment in gold is that no tax is levied on the ownership of gold. The precious metal remains in the possession of a bank, which usually maintains this in a no-tax area. The disadvantage is that there is usually a minimum purchase amount, that varies from bank to bank – for example 10 Gold Maple Leafs or 500 gram bars – which makes this form unattractive for small investors. Another factor is that one doesn't have possession of the gold, which reduces some of the psychological benefit of owning gold.

1986 Non-Communist Gold Production



Source: Consolidated Gold Fields

Investment can also be beautiful

FRANKFURT, 15. October. The Royal Canadian Mint created not only a major bullion investment coin, but also a coin recognized and appreciated around the world for its beauty. Although this is not the main criteria in choosing an investment instrument, many find added value in the quality of the design and striking.

As with all Canadian currency, the front depicts the effigy of Queen Elizabeth II, reflecting the historical relationship with England. The reverse side shows the symbol of Canada, a maple leaf, which has been captured to perfection by the engraver.

Prominently displayed are also the key facts about the coin, such as its origin; value (either $50 Cdn, $25 Cdn, $10 Cdn or $5 Cdn); weight (either 1, 1/2, 1/4, or 1/10 ounce); purity – .9999; and date of striking. The first coin was struck in 1979.

One Eagle that doesn't fly

FRANKFURT, 15. October. Anonymous sources in banking circles in ...kfurt, Zürich and London ... that the U.S. Eagle is not ...g the same level of success in ... as it has in its home market. ...uropean investor continues to ...more traditional gold products ...as small bars or the better ...blished Gold Maple Leaf. ...erts say that less popular coins ... do not enjoy the same liqui... ...he popular coins.

...eading ...ing statis- ... households ... the assets. This ... in the late 20's. ...ely led to the cur- ...ere the middle and ...ety are over-extended ... borrow. The result is ...k placed upon the ... Parallel to this is ...t in speculation, ...few, forcing the ...limits daily. The ...w long can the ... out before it ...is subject is ...he forefront ...d financial

...and downs of gold coin

...WAN, 15. October. Recent reports ... indicate that the coin from ...er" stays down under in sales ... competitors. After ini... ...cess in markets without ...tors, the Australian ...ving down. Sales of ...e Leaf, recently ...uickly eclipsed ...wealth partner. ...onymous sources in gold trading circles attribute this to the stronger international position of the Canadian bullion coin, which ensures tradability and liquidity.

Gold production up.

OTTAWA, 15. October. With a yearly production of over 100 tons (107 tons in 1986), Canada is third largest producer of gold in the non-communist world.

The first discovery was made in 1858 at Cariboo, British Columbia. Today, forty-one mines produce the majority of this precious yellow metal. However, prospectors still roam the backwoods, searching for the hidden lode and dreamed-of riches.

The greatest amount of gold is mined in Ontario. Recent discoveries in the region around Hemlo made headlines around the world and boosted share prices. The main reason for the jump was the revised estimate of the gold reserve in this area: before the discovery reserves were felt to be around 130,000 ounces – today they are known to be closer to 17 million fine ounces of pure Canadian gold. Enough to keep the Royal Canadian Mint busy striking Gold Maple coins to meet the needs of investors around the world.

Cavelti "Time-proven investment"

Since the price of gold was freed in 1970 to move with market forces, it has risen to new heights, and fallen just as often.

Precious metal and finance experts continually try to analyze the price development. But, the gold metal remains unpredictable. Rising or falling dollar exchange rates, wars, and financial crises are no longer a guarantee for a rise in the price of gold.

The peak in the price of gold was reached at $850 for one ounce in 1980. Currently, the price ranges between $400 and $500. In spite of this, investment advisors recommend to follow the golden rule – hold ten to fifteen percent of an investment portfolio in gold.

The reason is simple, explains Peter C. Cavelti, President and Chief Executive Officer of Cavelti Capital Management Ltd. in Toront, Canada, and an internationally recognized expert on precious metals: "Gold is an unbeatable investment vehicle that protects prosperity at all times, even during crisis." Cavelti has banking experience in U.S., Africa and Asia and belongs today to the most sought-after precious metal advisors.

FINANCIAL TIMES

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Monday November 9 1987

Europe's aims in space

THE SPENDING plans of international organisations have a marked propensity to generate an unstoppable momentum of their own. All the more so when they involve high technology and international prestige. To that extent, the British Government's penny-pinching attitude to the European Space Agency, whose 13 member nations meet this week in The Hague to decide on a new European space plan, can be said to reflect a realistic concern for the interests of the taxpayer. The question is whether this insistence on value for money will cause several important opportunities to go by the board.

At issue is an increase in the agency's annual spending from \$1.7bn to \$3bn by 1993 and a total cash outlay by the end of the century of around \$40bn. That expenditure would take Western Europe into manned space operations. Much of the new programme is involved with developing Columbus, a laboratory that would fit into a US-led international space station planned for the 1990s. A French-inspired mini-shuttle, Hermes, which needs an improved version of the Ariane space rocket for its launch, would ferry people to and from Columbus.

Driving force

The difficulty in assessing this programme is that the motives underlying it are so mixed. They include scientific exploration, support for an infant industry (although parts of the space industry have already grown to maturity) and a more general desire to be independent of the Americans. Especially controversial is manned space flight, which some countries argue is more suitable for international collaboration than for a separate European effort.

Where the disagreements are likely to arise at The Hague is over what priorities should be given to which objectives. The likelihood is that the French, who have been the driving force behind the ESA, will be more overtly committed to a grandiose and expensive Euro-political vision than the British, whose Trade and Industry Minister Mr Kenneth Clarke is hard-headedly commercial and concerned about possible cost over-runs, especially on Hermes. For their part, the West Germans have indicated strong general support for Hermes, but want more time to look at the details.

It is a moot point whether the British are not taking their scepticism too far. Certainly the arguments deployed earlier by UK delegates at the ESA to the effect that the whole programme was beyond Europe's financial capacity is palpable nonsense. The European Community's combined gross national products could readily support a US-sized space programme if there were any political desire for one. The more difficult question is whether a European failure to establish a strong position in space would cause a large loss of competitive advantage in the 21st century against the US and Japan, or, on the contrary, whether a massive commitment of human and financial resources to space might not crowd out investment in other technologies which have a more direct bearing on industrial competitiveness.

Large sums

There is no easy answer. And given the large sums involved, it will do no harm if there is some commitment to explore private sector funding opportunities for those parts of the programme that hold out the more conspicuous commercial prospects. Yet it is hard to see what Britain hopes to achieve if Mr Clarke combines such demands with an argument that decisions on the revised Ariane project, on Columbus and on Hermes would all be premature. This simply invites knee-jerk reactions about the British shopkeeping instinct and encourages the French and Germans to pursue their common objectives without regard to British interests.

The British Government claims to be committed to a European space programme and is understandably keen to influence its development. It is entirely justified in wanting ESA members to define their goals more precisely and to separate more clearly scientific exploration, which has to be funded by the taxpayer, from industrial activities where the private sector should play a bigger role both in financing and in management. A restructuring of ESA along these lines may well be desirable, but by appearing to blow hot and cold on the programme as a whole the British Government has scarcely created a climate in which the private sector would naturally wish to undertake more of the financing burden. The best outcome at The Hague is a realistic programme to which governments can give consistent support.

An agenda for Mr Takeshita

MR NOBORU Takeshita, newly installed as Japanese Prime Minister, is reckoned to be a consensus man. The question confronting Japan is whether the gradualist approach to policy that this reputation implies is the right one in the current domestic and international circumstances.

In several ways Mr Takeshita has got off to a lucky start. Japan is, even if only temporarily, off the international hook as the focus of discontent for global economic mismanagement has turned to the US and, to a lesser extent, West Germany. Much of the next two months in Tokyo are going to be taken up with the compilation of the budget for the 1988-89 fiscal year, which will constitute an important statement of the nation's willingness to help promote general economic growth. Not performing this task under the *gun of intense international* scrutiny probably helps a little.

Debt repaid

Secondly, he should enjoy, for a while, the goodwill attached overseas and at home to his predecessor, Mr Yasuhiro Nakasone, who, in effect, put Mr Takeshita in office. The new Prime Minister has repaid this debt by appointing a Nakasone confidant, Mr Sosuke Uno, as Foreign Minister, which helps ensure continuity in external policies. He has also, sensibly, left in place Mr Kiichi Miyazawa and Mr Hajime Tamura as ministers of finance and international trade and industry respectively. Too often, the most important portfolios in the Japanese cabinet have been apportioned only with domestic political considerations in mind, a rule that Mr Takeshita has otherwise followed in naming his new team.

But these may only be ephemeral benefits. The current assumption in Tokyo is that the circumstances of his elevation mean that Mr Takeshita will be a one-term , two-year Prime Minister. The same expectation also applied to Mr Nakasone and the fact that he lasted five years is only partly explained by his popularity and his vigour in office. Just as much was accounted for by the peculiar internal divisions of the ruling Liberal Democratic Party which prevented the rise of a consensus alternative candidate. Now that the factional batons inside the LDP have passed to a (slightly) younger generation some of the old stumbling blocks have been removed.

Political talents

Sooner or later, therefore, Mr Takeshita is going to have to decide, for his own as well as the nation's good, whether to follow the Nakasone model and be innovative or simply to guide the ship of state down current paths. The latter may be his personal inclination and has merits, so long as the reforms now in train do not lose momentum. But if he is totally passive, in the manner of Mr Zenko Suzuki, Prime Minister before Mr Nakasone, then a short tenure seems inevitable; a policy of radical widespread reform, greater than the Japanese body politic can stomach, would have the same result.

Yet Mr Takeshita's very considerable political talents could well make him precisely the man to steer through measures that Japan surely needs; tax reform is a bullet on which successive Japanese governments, including Mr Nakasone's, have failed to bite properly; the astronomical price of land is a national cross, the unbearing of which would be complex and controversial. If Mr Takeshita were to solve either, even at the cost of a brief period in office, he would have achieved much.

More easily attainable is the consistent pursuit of policies now in place. These include the taking of reasonable fiscal risks, in both the primary and secondary budgets, resistance to which remains strong inside government and industry; the development of a physical infrastructure for Japan commensurate with the nation's wealth, albeit recently acquired and, to many Japanese, more nominal than real; a continued dismantling of import restrictions, with special emphasis on agriculture; and more creative deployment of Japan's surpluses towards the developing world.

Whichever way he chooses to tackle it, the agenda is heavy; and if Mr Takeshita has a breathing space for the moment, the probability is that he is going to be running at full tilt in the not too distant future.

While Mr Gorbachev's reform plans convulse the Kremlin, there are pressures for change beyond Moscow. **Edward Mortimer** has been to Estonia where local ambitions stretch the limits of Perestroika

On the jagged edge of glasnost

ON AUGUST 23, shortly after Mr Gorbachev went on his famous holiday, but well before his absence began to arouse anxiety and speculation, there were demonstrations in the capitals of the three Baltic states, Estonia, Latvia and Lithuania, which since 1944 have been constituent republics of the Soviet Union.

We know this because the demonstrations were referred to - *glasnost oblige* - in the Soviet press, which however asserted that they had been prompted by Western radio stations, "reactionary emigre circles, Western experts on the USSR," and even the CIA. TASS portrayed the younger demonstrators as club-and-knife-wielding hooligans. Precise eye-witness accounts, telling us how many demonstrated and what for, were conspicuously lacking, although the date had obviously been chosen because it was the anniversary of the Molotov-Ribbentrop pact of 1939. (By a secret clause in this pact Hitler acquiesced in the Soviet takeover of the Baltic states, which happened the following year.)

An invitation to visit one of the three republics was therefore not lightly to be refused. It came, rather improbably, from the Finnish organisers of a Finnish-Soviet seminar held last month in Tallinn, the Estonian capital.

It should be explained that Estonian is a language quite unrelated to Russian or to any other Indo-European tongue, but related to Finnish, roughly as Dutch is to German; and that Tallinn is directly opposite Helsinki across the Gulf of Finland - a boat trip of some 3½ hours. Estonians can watch Finnish television and earn a significant hard-currency income, licit and illicit, from Finnish tourists. (Tallinn is known to some as "the poor man's Bangkok.") Many of them can understand, and even speak, Finnish.

It should also be explained that Estonia, a territory slightly larger than Holland or Switzerland with only 1½m inhabitants, enjoys the highest per capita income in the Soviet Union, the highest rate of car ownership and living-space, and has been used as a laboratory of the liberal economic reforms now known collectively as *perestroika*.

There are, for instance, already a large number of licensed individual traders plying their wares on the streets of Tallinn, and quite a few small

The country enjoys the highest rate of car ownership in the Soviet Union

handicraft shops, elegantly fitted out and distinctly pricey, run by independent self-managing co-operatives. And three joint ventures involving Finnish companies have already started, anticipating the provisions of the new law of the enterprise which comes into force in January.

That does not mean, however, that Estonians in general are satisfied with their lot. On the contrary, their relative prosperity and dynamism makes them all the more aware of the drawbacks of being shackled to the elephantine Soviet economy and subject to the choking embrace of the Moscow bureaucracy.

An issue that aroused especially strong and widespread *anti-Moscow feeling in* recent months was the proposal by the All-Union Ministry of Fertilisers to start large-scale strip-mining for phosphorite around Rakvere, in north-eastern Estonia - a project which, in the supposed interest of agriculture elsewhere in the Soviet Union, would have destroyed a highly productive meat-growing region and polluted the water supply over a large area.

The era of *glasnost* is not propitious for such projects. An unprecedented campaign against it developed in the local press and among the population until, some weeks ago, party officials announced that it had been shelved, at least until the year 2000. The issue seems to have united the entire population against the central Government, and the outcome is generally regarded as a great Estonian victory, holding out hopes that *perestroika* will translate into real national autonomy in economic affairs.

A very daring proposal in this sense was put forward in a newspaper article in late September by four writers hitherto regarded as conformist party figures. Entitled "a proposal for self-management for the entire ESSR," it suggested making Estonia a closed economic region on the Chinese model, with a convertible rouble, very few restrictions on private enterprise, and virtually complete autonomy in trade relations abroad as well as with the rest of the Soviet Union.

Not surprisingly this proposal has been widely and intensively discussed. According to one of its authors, Mr Siim Kallas, who *is deputy editor of the party* newspaper, "very large masses have taken part in the discussion - workers, scientists and so on."

Mr Kallas told me he was getting between 10 and 15 invitations every day to speak about the project. At all the meetings the rooms were full and the atmosphere "very active". There had been nothing comparable in earlier times.

There was a plan to make Estonia a closed economic region on the Chinese model, with few restrictions on private enterprise and trade

One of the central ideas in the proposal is that Estonia should re-orient its production towards the international market, becoming a hard currency earner. Part of this hard currency would become Estonia's contribution to the Soviet budget, in which it would form a single item fixed by the Supreme Soviet on the basis of long-term targets. The residue would be kept by Estonia to finance its own imports.

Similar ideas are being discussed in Lithuania and Latvia, according to Mr Kallas. He and his colleagues had not "exported" their article to the other Baltic states, but clearly some *Lithuanians had got hold of it*, because a question about it had been put to Mr Gorbachev's leading economic adviser, academician Mr Abel Aganbegyan, by a Lithuanian caller during a live phone-in on Moscow television. The response had been that the idea deserved some research but that the objective must be to integrate the Soviet Union, not break it up.

Unhappily, while the project's authors are keen to present it as the logical extension of *perestroika*, the leading exponents of *perestroika* at the All-Union level are clearly very suspicious of it, for both economic and political reasons. Two of them - Mr Aganbegyan and Mr Nikolai Petrakov, deputy director of the Central Economic and Mathematical Institute of the USSR Academy of Sciences - took part in the Tallinn seminar, and I was able to ask them for their views.

Mr Petrakov told me he was all in favour of self-management and saw no reason why it should not be applied wholeheartedly to a given territory, *"but that doesn't mean that territory* should isolate itself from others." As for the idea of Estonia becoming self-financing in foreign currency, he dismissed this as quite unrealistic. "No republic of the Soviet Union at present is capable of going into the international market to earn currency. The Hungarians and Yugoslavs tried that, but it was not a very big success."

Mr Aganbegyan was openly contemptuous. "People haven't even thought yet, but they want something already," he said. "Let them first organise joint ventures and so on - it doesn't depend on Moscow now - and later we can think about the future."

He disliked the idea of closed economic regions and vigorously disputed the widespread popular perception that Estonia "gives away" 50 per cent of its production and gets nothing back. (Official figures, referred to by Mr Gorbachev when he visited the republic in February, suggest that, on the contrary, Estonia is a significant net beneficiary. Estonian economists say that these figures are certainly wrong, but probably there is a rough balance.)

Mr Kallas readily admitted that more work was needed to make the idea economically practical. But, he added, what was needed above all was a political decision. Although the proposal in itself was purely economic, it had "connections with leading political problems" and many of those commenting on it in the press had said that it was now "very important to talk also about political and national problems."

Mr Kallas and his friends were clearly anxious not to be labelled as nationalist: "I see no national problems in the air," he said, "they arise from unsolved economic problems". But there was an unmistakable undertone of nationalist resentment in many of their remarks. They told me, for instance, that 33-35 per cent of the population of Estonia is already Russian; and, although claiming that resident Russian intellectuals supported them, they stressed the need for immigration control.

They were also indignant about the way the August 23 demonstrations had been reported in the press, insisting that in Tallinn they were entirely peaceful and joined by some 1,500 people, mainly elderly. The main demand had been that the Ribbentrop-Molotov Pact should be published, and speakers had referred to the victims of fascism during the war (Estonia was occupied by the Germans from 1941 to 1944) as well as those of Stalin.

Their own attitude to the national problem was carefully balanced. They pointed out that in 1940 the "bourgeois" government had handed over power legally to the Soviet revolutionaries, but admitted that it had done so under duress, since Estonia was already occupied by units of the Red Army under the terms of the pact - "Nobody asked the Estonian people."

Many Estonians, they added, regarded this as a tragic event, "but if we go back into the history of Estonia it has never been able to solve this kind of problem." Its geopolitical situation did not permit that. "As in physics, great objects have a magnetic force." Estonia had been under Russian rule for two centuries before 1917, and its reversion to that status was probably inevitable: the real tragedy was that it had joined the Soviet Union in the time of Stalin.

What these young intellectuals claimed to want, with apparent sincerity, was not separation from Russia but a Soviet policy such that "everyone feels he belongs to this system". They saw *perestroika* as offering a last chance for Estonia to survive as a real national identity within the Soviet Union, and said that since Mr Gorbachev came to power the standard phraseology about Russians being the leading nation in the Union had been dropped.

'Many people have taken part in the debate - workers and scientists alike'

They clearly felt themselves to be Mr Gorbachev's natural allies, whereas they saw the official party establishment as paying only lip-service to him. "The nation supports Gorbachev," they said. But very few Estonian "leaders and editors" did so sincerely. Such bureaucrats had attacked their project, but only in private, carefully avoiding any public debate. The problem of the establishment, they said, was summed up in the famous Second World War slogan: "We can't go backwards, because backwards there is only Moscow."

SEOUL, NOVEMBER 8

Laughing-stock of Korea

It is tough at the top for South Korea's leading businessmen, battered by protectionism in Washington, strikes by their workers and worries about world recession. As if that were not enough, they are now being held up to ridicule on state television.

The programme, a comedy sketch called "Chairman, my chairman", would probably be enjoyed by fans of "Yes, Prime Minister". It makes fun of the patriarchal management style practised by the heads of some of the biggest conglomerates. The sketch opens in the boardroom where several directors are jockeying for position as chief sycophant.

All listen raptly to the words of their boss until the phone rings and they are shooed away. "Are you smoking?" the chairman's wife demands, as the boss quickly stubs out his cigarette. The audience, well aware that many senior South Korean men are at the mercy of their tough minded wives, guffaws.

"We thought of asking British Gas to supply us - but we couldn't risk a sudden price rise in the middle of the games."

Men and Matters

The board meeting ends with the chairman asking the directors' views on his latest plans. "Cho sumida," ("Right on, boss"), they reply in unison.

The phrase has become a joke all over the country, with children saying it to schoolteachers, and toddlers responding with it to orders from their mothers. So popular is the sketch that it has become a stage play which is about to tour the provinces. Ominously for the bosses, trade union groups are top of the list of sponsors.

State television has used its ingenuity in getting round the rules in other ways, also at the expense of businessmen. One programme, Gateway of Desire, tells the story of a rags-to-riches industrial magnate who clawed his way to power and wealth after the Korean war. Dynasty style, this show features the magnate's strong interest in beautiful women.

As the campaign grows to get the senior businessmen to change their ways to suit a more modern, democratic country, it will be interesting to see how long they can resist.Laughter,in this case, may be the best medicine.

Side dish

Few Koreans can survive happily for long, as the hostage recently released in Beirut found out, without regular infusions of kimche, the spicy side dish which accompanies Korean meals. While it may not be exactly addictive, the combination of cabbage, chilli peppers, radishes, garlic and other spices, is considered essential for good health. But the need to make winter supplies of the dish all at once in a country of 43 million people causes a major headache every year for the Min of Ag and Fish.

In 1982, for instance, the Ministry arranged supplies of 1.6bn kilos of cabbage worth 323 billion won (\$403m at today's exchange rate) radishes worth 52 billion won,red peppers worth 159 billion won, and garlic worth 52 billion won - a total spending binge of about \$600m.

Add another \$300m for the smaller North Korean population, and the November vegetable spending for the peninsula reaches nearly \$1bn, about \$60 dollars for every family. And that's before you even start the main course.

Venture capital

It was business as usual last week at Myongdong Cathedral,Seoul's Catholic seat and a haven for protesters against the government. Outside the church a small band of radical students pasted up wall posters and encouraged passers-by to help "overthrow the dictator". Nearby, squatters removed from their homes because of redevelopment and now housed in a tent city, contemplated the coming winter with gloom.

Inside the cathedral, a former prime minister, ambassadors,government officials and financiers attended one of the society weddings of the year. It united the daughter of one of South Korea's leading stockbrokers with the son of an ambassador, one of the rising generation of young South Koreans joining foreign securities firms.

As they entered the church some of the younger guests were reminded of last June, when they left their video screens to walk down to the cathedral and join in the students' chants for democracy. That successful effort was followed this month by only a ripple in the Seoul stock market as the rest of the world crashed on Black Monday.

The crash coincided with the opening celebrations of two British securities houses, Hoare Govett and James Capel, who have just been granted licences to open offices in Seoul.

James Capel decided to recognise reality by decorating its party with a giant ice sculpture of a bull and a bear,both eyeing the company logo. History does not record which sculpture melted first.

Hard pressed

South Korea is one of the few countries in the world where journalists are held in high regard, I am pleased to report. Four local colleagues have recently shown that they are also capable of inspiring fear and trembling, especially in the minds of presidential candidates. The four are conducting in-depth interviews with the hopefuls. The score is currently two down and two to go.

Both Kim Young Sam,an opposition candidate, and Roh Tae Woo, the ruling party leader, have still to face the music, and aides report desperate efforts to prepare for the worst. The first two victims, Kim Dae Jung and Kim Jong Pil, have emerged from the questioning with their images blackened, their sincerity in doubt and their electoral chances weakened. South Koreans, so far, do not feel that they have the candidates they deserve, but their faith in the free press remains undiminished.

Polls apart

You do not have to be a radical student to get into trouble with the South Korean police, one US bank has found. Deciding to do a bit of research about December's presidential election result, (still anybody's guess), it surveyed voters in several regions.

The bank was swiftly visited by officers of the security police who pointed out that opinion polls are banned. As the poll result pointed to a win for Roh Tae Woo, wags have speculated that perhaps the police are neutral after all.

Observer

Accounting standards

A time to get tough

By Richard Waters

SIR RONALD DEARING'S retirement will not be a quiet one.

When he stepped down as chairman and chief executive of the Post Office at the end of September, he may have breathed a sigh of relief to be retreating from the public gaze. But the respite will be short-lived.

Sir Ronald has accepted one of the hottest seats in the City, presiding over the first major review for nearly 20 years of the ground rules that govern financial reporting - a subject central to the regulation of the corporate sector.

His official job is to review the way that accounting standards - the technical accounting rules which govern how accounts are drawn up - are set, monitored and enforced. The Accounting Standards Committee (ASC), which was established by the main accountancy bodies to set standards, is no longer up to the job, say its detractors - and some of its members.

It is more than just a technical problem for the accountancy profession's backroom experts. At stake is the quality of financial information published by companies - affecting shareholders, employees and regulators.

Reported figures, the cynics say, are open to many kinds of manipulation by unscrupulous managers and auditors can do little about it. Accountants and interested observers want a tougher system with clearer rules.

"There is a marketplace of consumers who would like profit to mean something similar from one company to another," says Graham Stacy, a Price Waterhouse partner and member of the ASC.

"I don't think we should wait until there is a series of major corporate scandals before doing something about it," says Walter Reid, professor of accounting at the London Business Shool.

Expert readers of accounts claim that they do not need protecting: as long as the financial facts about listed companies are available somewhere and in some form, the stock market will not be misled.

But markets are not perfect. "Not even the hardest-line person would say that there aren't occasions when the market is conned," says Paul Marsh, also of the London Business School.

There are reasons for keeping profits up which have nothing to do with a company's share price. Managers' bonuses are often tied to reported profits and a company's ability to borrow may depend on ratios calculated from the figures in its accounts.

Conversely, there may be reasons for understating profits. A company with a large market share, or in a protected industry, may be in danger of having the beady eyes of consumer groups and regulators focused upon it if it appears to make too much money. Or it may simply be averse to attracting the Revenue's attention.

But the greatest demand for consistent accounting stems from the fact that there are now 9m shareholders in Britain. It is politically vital that the figures in the annual reports they receive by law actually mean something. "There are many users who do not spend their lives taking accounts apart and putting them back together again," says David Damant of the Society of Investment Analysts.

Three accounting issues have highlighted flaws in the system.

The first was the rejection by companies of a rule which required them to show the effects of inflation on their figures. Rumbling on for the past 12 years, the debate has exposed embarrassing weaknesses in the standard-setting process.

Years passed before the accounting profession agreed on Statement of Standard Accounting Practice 16, which required companies to provide figures adjusted to current costs. Companies then voted firmly with their feet by not following it.

The second contentious issue concerns takeovers and mergers. Virtually all accountants agree that the standards which "regulate" this area have been drafted too loosely. The subject is important enough to have been included in the Department of Trade and Industry's (DTI) review of competition policy.

Auditors hint darkly that companies understate the value of assets acquired in takeovers - though it is impossible for readers of accounts to tell if this is the case. The understatement reduces the amount of depreciation that has to be written off against profits in future years.

Guinness set a new standard in disclosure in its last accounts by giving rare details of the value it placed on the assets it acquired from Distillers. Such disclosure could become standard, following a review by the accountancy profession.

Yet Guinness does not keep the purists entirely happy: it disposed of £1.4bn of goodwill arising in the Distillers takeover by exploiting a legal loophole allowing companies to write off goodwill against their share premium account. If this route had not been open to Guinness, it would have had just £300m of reserves against which to write off goodwill. The other £1.1bn would have had to be written off against future profits.

The Guinness approach - which was also followed by Hanson Trust in its acquisition of Imperial - is likely to be outlawed, following a DTI investigation of takeover accounting.

The third area of concern involves off balance sheet finance - the practice of artificially removing liabilities from balance sheets. One way of doing this is to leave a subsidiary out of the consolidated accounts by technically taking away its status as a subsidiary. A majority of the shares, for instance, could be sold to a merchant bank, to be bought back at a later stage.

In the most celebrated case to date, mining group Burnett & Hallamshire revealed that shareholders' funds of £108m turned into a deficit of £4m in 1985, thanks to the losses of a subsidiary previously kept out of the accounts.

By its nature, the use of off balance sheet schemes is difficult to detect. A glance at the accounts of merchant bank Hill Samuel, though, may give an idea of the extent of their use. The bank records that on March 31 this year, it was technically in control of 29 companies which were not consolidated in its accounts. Hill Samuel's interest in these companies "is confined to nominal capital", it said.

These are likely to be subsidiaries of its clients that it had agreed to "take over" to clean up the clients' balance sheets. The bankers, naturally enough, do not want to include these hidden subsidiaries on their own balance sheets.

In one such deal, merchant bankers Morgan Grenfell took 48 per cent of the shares of the Storehouse subsidiary Richard Shops in 1986, leaving Storehouse with another 48 per cent. Technically, neither "owned" the company, so it appeared in neither's balance sheet. Richard Shops was subsequently "bought back" by Storehouse.

Burton found another way of improving the look of its balance sheet in 1986. It sold and leased back £100m of property to a 50 per cent-owned associate, Hall & Sons - taking £100m of debt off its balance sheet.

The accountants' argument that in substance the company remains a subsidiary, regardless of the legal form, has met with short shrift from the legal profession. The ASC is now casting around for another way of tackling this and similar abuses. Writing complex legalistic rules on accounting to circumvent the lawyers is not a course it wants to follow, but there seems no other option under the present system.

The standard-setters' woes look set to multiply with the rapid development of financial instruments. Three problems arise from:

- Deep-discounted bonds. Less (or no) interest is paid on bonds issued at a hefty discount to face value. This means that the borrowers' profits are not hit each year by the interest cost. The real financing charge, the discount, can be written off at the outset against reserves.

In September, property group Greycoat drew attention because of its accounting treatment of a deep-discounted issue which won the approval of its auditors, Arthur Young. It wrote off the discount to its share premium account, leaving reported profits for future years unaffected by the cost of the borrowing. This approach, which is within the rules, is likely to become more common.

- Warrants. Bonds which are issued with warrants giving the right to buy shares at a later date present a similar problem. Part of the "cost" of the debt is the warrant.
- Stepped bonds. The interest rate increases over the life of the bond. This means that profits in the early years are protected from interest costs.

Observers both inside and outside the accountancy profession now want a standard-setting body with more independence, more cash and more ways of making sure its rules are followed.

The independence question is the most urgent. Accountant members of the ASC have an axe to grind. It takes a 75 per cent majority on the committee to bring in a standard. And accounting firms feel uneasy with their dual role as auditors and setters of standards.

The ASC is also hampered by being tied to the apron strings of the accountancy bodies, which set it up and finance it. It does not have the power to issue standards, but must put its proposals to each accountancy body for approval.

The second need - more cash - is one that ASC chairman Michael Renshall strongly supports. On its £230,000 budget it maintains just four full-time employees. More cash would enable the committee to operate with a larger team of technical experts. The Financial Accounting Standards Board, the US equivalent, is the model to which most look with envy.

The third and most difficult issue involves enforcement. The creaking edifice of standards has been supported so far by a complex web of forces based mainly on the ethical rules of accountants and common consent. It needs reinforcing.

Most company directors, and even a large number of finance directors, are not accountants and do not always feel bound by rules made by and for accountants. The accountancy bodies can reprimand only their own members.

Auditors do not refer to a deviation from standards in their reports to shareholders unless it undermines the truth and fairness of the accounts - a step that few are prepared to take, given the highly damaging effect of such a report. A recent dispute over accounting issues between Sound Diffusion, an electrical equipment group, and auditors Ernst & Whinney is a rare case: the company has now changed its auditors.

Regulators have taken a back seat. The DTI, while concerned about accounting standards, has shied away from suggestions that it should put legal weight behind them. And the Stock Exchange claims it can do little to force compliance, since the only sanction at its disposal is to delist a deviant company - a move that would damage the interests of shareholders.

The US Securities and Exchange Commission is not so faint-hearted. It refuses to accept accounts for filing if they do not conform to generally accepted accounting principles. Accountants hope that Sir Ronald Dearing's review will recommend similar short shrift for companies that ignore accounting rules in Britain.

Lombard

The ethics of workfare

By Michael Prowse

AT the Tory Party conference earlier this year, Mr Norman Fowler, the Employment Secretary, won an ovation for a speech that promised legislation to crack down on youngsters who refuse places on government training schemes. Mr Fowler, along with most of his Cabinet collegues, believes that the "refuseniks" should be denied social security benefits: the young should be prepared to work, train or go hungry. Such legislation is likely to be only the thin end of a "workfare" wedge which could transform Britain's approach to welfare. Many on the right are convinced that a policy of paying people to do nothing has fostered a "culture of dependency". They argue that workfare principles should be applied much more generally : in other words, able-bodied welfare recipients of all ages should be required to work or train.

The concept of workfare originated in the US. In the 1970s, Ronald Reagan, then governor of California, decided that welfare recipients should be compelled to "work off" their benefit payments. The Reagan scheme was a flop because only a tiny proportion of welfare recipients were enrolled on compulsory work projects. But it helped change the climate of opinion. Legislation was passed in 1981 giving all states the right to require some welfare recipients - often female single parents living in poverty - to work for their benefits. A number of schemes have been set up in different states, but the idea has yet to catch on in a big way. Is workfare something that could flourish in the UK? Could it become as central to Thatcherism as tax cuts, sound money and privatisation?

Some on the libertarian right are confident it could. Mr John Burton of the Institute for Economic Affairs, for example, argues that workfare could take 1m people out of long-term unemployment over the next three to five years, at a cost to the Exchequer of only around £850m a year. Other enthusiasts, such as researchers at Liverpool University, contend that workfare could both crack the problem of long-term unemployment and *save* money. Workfare would work, as Mr Burton candidly admits, by "exerting downward pressure on wages" : in effect a batch of people currently unwilling to work at existing wages would be forcibly shoved into the labour force. The net cost would depend upon the balance between two factors : the number of workfare places taken up and the cost to the Government of each place.

The number of required places is highly uncertain. It would depend on how many people are scared off the unemployment register by workfare rules. The cost per place would depend on the Government's generosity. A workfare place must cost more than the passive payment of benefit because of incidental expenses such as the cost of materials and equipment, the cost of travelling to work and administrative overheads. Workfare would save the Exchequer money if the extra cost of each job were more than offset by a decline in the number of claimants following the introduction of the tougher rules. Mr Burton, almost certainly correctly, judges this unlikely; indeed, he is sufficiently conscious of the cost problems to recommend that the UK "keep to workfare projects of the relatively cheap variety".

The UK *could* certainly afford workfare in the strict accounting sense. (Given the scale of tax cuts planned over this Parliament, we could clearly afford the much more generous "job guarantee" schemes proposed by the Charter for Jobs). The important issue is not money but ethics. Somebody who accepts the morality of a socialist "command" economy can advocate workfare with a clear conscience. It is obvious to him that individual citizens must accept the work they are allocated or starve. But nobody, surely, who believes in personal freedom can take this authoritarian line.

In a civilised democracy, people ought to be free to choose whether they want to work. They should not be forced to "do their bit for society". The Government must do all it can to create work opportunities and incentives. It must continue to counsel refuseniks of all ages. But it surely should not seek to eliminate their freedom by taking away their right to an unconditional subsistence income.

Letters to the Editor

Big Bang's good news

From Mr James Sandilands

Sir, The anniversary of Big Bang has given rise to a good deal of comment, implying that while the institutional investor has benefitted from all the changes, the private investor has suffered.

In our experience at Buckmaster & Moore, these comments are not justified. Our activities comprise fund management for both private clients and institutions and private client stockbroking. Big Bang has been good news for our clients.

It has freed us from restrictions which were not generally in our client's interests. For example, we are now able to buy the best research in the City. This, together with our own internal resources, has allowed us to obtain the best, up-to-date, research information on every sector of the UK market. These extra resources - not available to us pre-Big Bang - can only improve the ability of our fund managers to take good decisions. Secondly, in common with institutional investors, private clients have enjoyed "closer" dealing prices since Big Bang.

Thirdly, private clients now have a far greater range of services on offer. Big Bang and regulation have forced stockbrokers to categorise their services. Private clients now know much more precisely what service they should be getting and what it will cost.

Fourthly, private clients are protected not only by the Stock *Exchange Compensation Fund*, as before Big Bang, but also, if they choose to deal with one of the larger firms, they have the additional protection of the resources of a financially strong parent company - in our case Credit Suisse. It is true that "cheap execution" services have yet to become cheap, but SAEF and other developments will mean they become a reality before long.

In every other area, the choice and degree of service available to private investors has improved since Big Bang.

James Sandilands,
Buckmaster & Moore,
80 Cannon Street, EC4

Employee share ownership

From the Deputy Chairman, the Wider Share Ownership Council

Sir, I was sorry to learn (November 3) that Mr Bryan Gould favours collective share ownership for employees. This puts them back in the nursery, presumed incapable of looking after their own assets. It also underlines the need for moving ahead rapidly with employee share ownership on an individual basis.

At present, about twice as many companies have executive share option scemes as general employee share schemes and the Wider Share Ownership Council has persistently advocated linking the two so that the tax position is better for managements who also operate a general employee share scheme. During the summer we conducted a poll and found that 67 per cent of the companies responding, who either have already or are introducing share schemes, favour this idea.

To appreciate how it could operate, one has to look at the three tiers of popular capitalism in a consumer democracy, where the customer is king or more often, queen. There are firstly the entrepreneurs who develop new ways of serving her and and if successful, build capital worth 100 to 1,000 times their pay.

Secondly there are the top managers who succeed to the responsibilities of the entrepreneurs and it is pernickety to worry about whether they are granted options worth four or six times their pay, provided these are triggered by company performance, which the Investment Committees now require them to be.

The proposed linkage could work on the following lines, to encourage bringing in the third tier, the other employees. Total options held by an individual manager at any time under an approved scheme would be three times pay unless the following conditions applied, when they could be six times pay: (a) options worth no more than three times pay have been granted in the pevious three-year period, and (b) a general employee share scheme - either savings related or profit sharing - has made a grant of options or a share appropriation at least once during the previous three-year period.

There is no particular magic in the figures three and six, but they fit the two holding periods of three years in the present legislation, which are conditions of tax relief. Also those managers who already have options worth four times pay - the present limit - would not have to wait long before being able to operate the new arrangements.

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US Presidential candidates

From Mr W. Grey

Edward Mortimer (October 27), in bracketing America's relative decline in economic power together with an apparent *dearth of US presidential* candidates, rather lightly dismissed, among other things, the separation of powers as a possible explanation of the latter phenomenon.

Under that doctrine, an American president is, of course, not only debarred from membership of Congress, which may in fact, in one or both houses, be ruled by a hostile majority. He also need not have won his spurs in the political arena, rather than in, say, the law or the armed forces. While this widens the field of choice far beyond the legislature's confines, it also makes candidates possessing "presidential timber" think twice before entering what is, with resulting primaries, a doubly gruelling race for a potentially frustrating office.

Obviously, a radical amendment of the venerable US constitution, were this conceivable, would not halt, let alone reverse, America's relative economic decline. But it might at least make the holder of the US presidency a less lonely and, for all his power, helpless figure.

W. Grey,
12 Arden Road, N3.

Creating meltdowns

From Mr Paul Hewitt

Sir, I do not understand the concern about the interaction between portfolio insurance and index arbitrage. The investment strategy of funds employing portfolio insurance is to reduce their exposure to the equity market as prices fall. Until recently the only way to implement this policy was to sell stock. Now funds can sell index futures - to arbitrageurs who sell the underlying stock. The end result is the same, it merely takes two steps instead of one.

"Meltdowns" are a consequence of substantial funds following the strategy of continually reducing their exposure to the equity market as prices fall. They are not the consequence of a particular method of implementation.

Paul Hewitt,
Caenshill Lodge,
10 Chaucer Avenue,
Weybridge, Surrey

TSB's extraordinary general meeting: a shareholder's view

From Mrs Wendy Gibney

Sir, As a private shareholder in TSB who was present at last week's extraordinary general meeting, *I am grateful for your* front page reporting of the event (November 3).

Certainly, as Mr Bunker commented, TSB's board were surprised by opposition to the bid which was so vehemently displayed by shareholders present. I would like to comment on some of the reasons for this opposition to the bid and the extent to which these are logical and not just an emotional reaction to the recent market fall:

First, at the time the bid was launched City analysts thought the offer very generous - now the offer is probably more than £200m above Hill Samuel's intrinsic market value.

Second, even without the bid, the profitability of TSB's own fund management operation would be vulnerable to a prolonged stock market fall. A successful bid would increase that exposure.

Third, it is still open to question whether the potential price which may be obtained for Wood Mackenzie (the subsidiary it is proposed to sell off) is at the level which might have been *expected before* the market dropped.

The argument of the TSB Board is that the takeover is still in the long-term strategic interests of the TSB group. Further, they regard the recent market events as a temporary phenomenon. However, most of the shareholders present at the EGM would have been content with a simple three-week postponement to assess the market position more *closely. As* you reported, this would therefore seem both a logical and sensible business decision.

The crux of the matter seemed to rest on the proxy votes held by the Chairman, Sir John Read, which he felt enabled him to oppose the motions from the floor calling for an *adjournment. Although* these proxy votes were posted after the start of the crash it is very much open to question whether shareholders had had sufficient time to consider the implications of the market movement or indeed knew that they could rescind their proxy vote.

Associated British Foods have, sensibly, postponed their EGM so that their recommendation of approval for the bid for S & W Berisford is delayed. This is to enable them to more fully consider the turmoil in the markets. It is a pity that Sir John Read and the board were not moved by the same sentiment expressed by the TSB shareholders present at the EGM. It is certainly astonishing (and indeed alarming) that they were surprised by the expression of such sentiment.

Mrs W. M. Gibney,
9 St Johns Court,
Beaumont Avenue,
St Albans, Herts

FINANCIAL TIMES
Monday November 9 1987

Rod Oram on Wall Street

ITT pulls the plug on Carpenter

"ITT Topples President" is the sort of headline many people still expect to read about the sprawling conglomerate which after the Second World War came to embody the sinister side of US multinationals.

"To many Americans, ITT has become a three-letter symbol for corporate subterfuge and raw power," the New York Times wrote at the height of the company's involvement in the seamier side of the Nixon Administration.

But the company has changed in the 1980s and now only its shareholders, not American voters, need to be concerned about its actions. Corporate subterfuge is still at work, it seems, but the president ITT leaned on last week was its own, Mr Edmund Carpenter.

Quite what went on inside ITT's Park Avenue headquarters is still something of a mystery but Mr Carpenter, aged 45, was suddenly shorn of his powers as chief operating officer. It is thought likely he will baulk at carrying an empty presidential title and will quit ITT soon.

Wall Street was taken aback. Mr Rand Araskog, 55, chairman and chief executive since 1979, had indicated Mr Carpenter was his heir apparent when he appointed him president and chief operating officer in July 1985.

Through the 1980s, most effectively in the past two years, Mr Araskog has slimmed down and brought greater profitability and cohesion to the huge corporation he took over from Mr Harold Geneen, the legendary conglomerateur and master acquisitor.

Although he joined the group only in 1981, Mr Carpenter had rapidly made himself highly useful to Mr Araskog as a strong, hands-on executive skilled at fixing or selling ailing businesses. Graced with social and political skills, Mr Carpenter had risen meteorically. He was speaking his mind increasingly and becoming highly visible and liked on Wall Street.

"He increased the credibility of management. His departure is a negative for shareholders," said Mr Phua Young of Shearson Lehman.

Some in ITT thought Mr Carpenter was ousted because he had become too useful and prominent. There was an echo from the twilight of the Geneen era when Mr Lyman Hamilton, briefly ITT's chief executive, was thrown out by Mr Geneen in 1978. "Hamilton showed his muscles too much. Geneen didn't want a really charismatic guy," a fellow executive said at the time.

Another theory last week was that Mr Araskog had become impatient with Mr Carpenter's efforts to turn around ITT's defence business. Even though he was rectifying its failures to meet some Pentagon price and performance specifications, its earnings fell 61 per cent in the third quarter on slightly higher revenues.

It was a bad blemish on ITT's otherwise sparkling results. Net profits had risen 67 per cent to $120m on sales up 12 per cent to $4.8bn. At last, over the past year, Mr Araskog's remaking of ITT has been paying off. Whereas Mr Geneen had acquired 275 companies in 20 years, Mr Araskog has sold more than 100 in eight years and shrunk the global workforce to 123,000 from 348,000. Its main activities now include insurance, finance, defence, car parts, electronics, fluid technology and hotels.

This was not what Mr Araskog originally intended. He wanted to turn ITT, which started in 1920 as the US Virgin Islands' telephone company, into a pre-eminent global telecommunications manufacturing and service company.

Several things derailed the plan - such as System 12, ITT's costly and fruitless effort in digital telephone exchanges. Mr Carpenter finally persuaded Mr Araskog in early 1986 to abandon the badly managed System 12 project after it had eaten up more than a $1bn in development money.

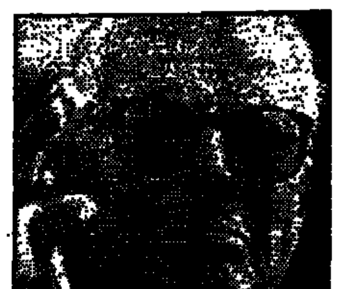
Since then, Mr Araskog has sold or spun off into joint ventures virtually all of ITT's telecommunications activities. Notable initiatives included the formation of Alcatel, a joint venture with CGE of France.

While these efforts have generated soaring profits, a healthy balance sheet and applause from analysts, investors have remained cool to the company. Despite its recent performance it is still for many "a company that's continually going to disappoint you however low your expectations are," said Ms Theresa Gusman of Salomon Brothers.

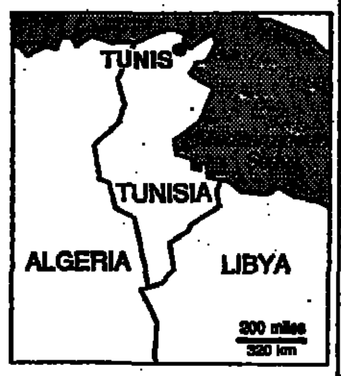
Its shares are trading at a 60 or 70 per cent discount to asset value, at close to book value, making it vulnerable still to the corporate raiders it fought off several years ago. Although a big increase in dividend, expected to be announced at a board meeting tomorrow, will help improve ITT's image with its shareholders, the toppling of Mr Carpenter has not.

Francis Ghiles in Tunis analyses Mr Ben Ali's peaceful takeover of power

Tunisia's 'father' runs out of time



Mr Habib Bourguiba (left), who was deposed as Tunisian president on Saturday, remained yesterday at Carthage Palace, the official residence of the country's head of state. The Prime Minister, Mr Hedi Baccouche, said in a radio interview, giving the first official word of the former leader's whereabouts that Mr Bourguiba had been visited by friends and relatives and that he might be moved to a retirement home in the southern town of Sfax.



AS BEFITS a man with a military background, Mr Zein El Abidine Ben Ali is discreet and well organised. Both qualities served him admirably during the five weeks he was prime minister of Tunisia.

The decisiveness which he displayed after the riots of January 1978 and the bread riots of January 1984 also ensured that last Saturday's removal from office of Mr Habib Bourguiba, the country's 87-year-old head of state, on grounds of ill health was carried out with speed and efficiency.

Yesterday, armoured vehicles sealed off Carthage Palace, the president's official residence. In the centre of Tunis, however, there were no police reinforcements.

Most Tunisians who are openly expressing their relief at the departure of Mr Bourguiba regret that their former leader, who was for many years a politician of stature, did not choose to hand over the reins earlier. When asked three years ago what was the major problem confronting Tunisia, Mr Bourguiba Jr, the president's son who has held senior posts in the country since 1957, simply sighed: "My father should have given up years ago."

The change was also welcomed by Tunisia's neighbours, Algeria and Libya and by France, Spain and Italy.

The decision to remove the president is believed to have been taken after consultation with the leaders of the ruling Socialist Destour Party (PSD), the government and the general staff.

For more than half a century, Tunisian politics were dominated by the personality of Mr Bourguiba. Tunisia today owes much of its economic and social progress since gaining independence from France in 1956 to his consummate political skills.

Rare among Arab countries, it has enjoyed a period of political stability which has not involved the armed forces - until now. But the initial indications from the new president are that he wishes to continue the reformist path which Mr Bourguiba pioneered.

Mr Bourguiba, who became president in 1957 after deposing the last Bey of Tunis, admired many things French and American and was not ashamed to say so. He provided the driving force behind the efforts to modernise a small country which boasts few natural resources - a modest quantity of oil and phosphates, little fertile land and meagre water supplies. He sought to modernise the message of Islam and went so far as to argue that economic development should be looked on as a Jihad (a holy war).

Although he failed on that point, he granted his countrywomen a greater degree of emancipation than in any other Moslem country.

His pragmatism in domestic affairs was reflected in foreign policy. Hard-headed moderation did not make Habib Bourguiba popular among his Arab peers. In 1965 when he suggested that Israel was a country with which the Arabs would have to live, he was pelted with eggs and his views were somewhat overshadowed by the crusading rhetoric of President Nasser, the Egyptian leader.

The bombing by the Israeli Air Force of the Palestine Liberation Organisation (PLO) headquarters in Tunis two years ago came as a deep insult, all the more so because of President Ronald Reagan's initial endorsement of this action.

President Bourguiba gave full support to the Algerians in their struggle for independence from France and remained unconvinced that Colonel Gadaffi of Libya would ever change his ways.

Tunisia under his leadership has been steady in its alliance with France and the US, and more recently Algeria. Overall it has been a factor of stability in a turbulent region.

The events of last Saturday are not a worthy exit for a statesman of such stature. They became increasingly inevitable, however, as Tunisian political life sank into a morass of petty intrigue and the former head of state's megalomania increased to a point where senior members of the establishment felt that the future stability of their country was at risk.

The army surrounded the presidential palace in Carthage 4am Saturday morning. In a declaration later read on Tunis radio, the new president paid homage to his predecessor but said that old age had made him incapable of carrying on his duties.

Mr Zein El Abidine Ben Ali said that he would seek a revision of the constitution because he argued that "the times in which we live do not allow someone to be elected president for life."

He will also promote new bills to parliament, where every deputy is a member of the PSD. This would allow the creation of other parties and greater freedom of the press. Although other parties such as the Movement of Social Democrats and the Communist Party have been tolerated since 1981, they have found it virtually impossible to function.

Mr Zein El Abidine Ben Ali, 51, was trained in both French and US military schools and occupied the post of director of military security for 16 years to 1974. He has the rank of general.

In sharp contrast to the Tunisian political class and to his predecessors, he is not given to displays of verbose speeches.

He has proved himself a true law-and-order man but when *the state prosecutor requested* 90 death penalties at the end of a major trial of Islamic radicals last September, Mr Zein El Abidine shared none of the former president's taste for revenge. The verdict, which only condemned two of the defendants to be hanged, enraged the former head of state who was also badly upset by the verdict passed against Mr Rashid Al Ghannoushi, the leader of the Movement of the Islamic Tendency, the largest radical Islamic movement who was condemned to hard labour for life.

The new president has neatly laid to rest the "Father" of the modern Tunisia who had all but confiscated the modern history of North Africa's smallest country. The megalomania of the former president, his increasingly erratic behaviour, his penchant for insulting his ministers in front of guests made the events of last Saturday virtually inevitable.

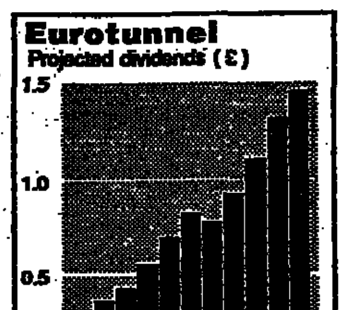
Mr Mohammed Sayah, a senior minister for many years, is also under arrest. Apart from writing a modern history of Tunisia which bore more relation to the Kremlin's version of events than reality, Mr Sayah was active as the head of the PSD throughout the seventies in encouraging the radical Islamic groups.

Thanks to a high quality civil service, to certain ministers who managed to carry on despite the intrigues of the presidential palace in Carthage, to the political maturity of many Tunisians, the country has avoided sinking into civil strife. By the same token, the hopes invested in the new head of state are immense. Every Tunisian knows that continuing austerity and liberalising the economy is *going to be painful.*

THE LEX COLUMN

Queueing up for Eurotunnel

The Chancellor of the Exchequer went to some lengths, in his Mansion House speech last week, to compliment the City of London for the way it had coped with the recent turmoil in the world's financial markets. While this kind of thing doubtless went down well with his audience, the City's reputation as an international financial centre faces an equally daunting test with the forthcoming £750m ($1.3bn) flotation of the Eurotunnel project. A successful issue would greatly enhance the City's ambition to rival New York and Tokyo as a place where mega-projects can be financed, while a flop would only confirm suspicions about the short-term time horizons of British financial institutions.



Undemanding

The sums to be raised are relatively small. UK investors are required to put up no more than half the £750m, which is less than 5 per cent of the BP issue. But if the money is not raised, one of the world's biggest construction projects will have to be abandoned. Its bankers, which are financing the vast bulk of the £6bn total cost, have already accepted an abnormally long payback period for their loans,, which has frightened away almost all the major US commercial banks and London's merchant banks. So it is now up to the investment community to demonstrate that it is prepared to shoulder its share of the risk.

The record to date is not encouraging. Eurotunnel's first major equity funding exercise in October 1986 was an embarrassment. Since then Eurotunnel's management has been strengthened, the political risks have been largely eliminated and the stock exchange quotation for Eurotunnel shares should go a long way to meeting any reservations major investors might have about liquidity. But there remain very real worries over whether investors will be attracted into a highly geared project which has yet to be built, and will not pay its first dividend for another seven years at the earliest. In addition, the recent collapse in worldwide equity prices and the launch of an advertising campaign by Flexilink, the anti-Eurotunnel lobby which is intent on proving that the project is doomed to financial failure, will have clouded the issue's prospects in the minds of many investors.

Eurotunnel's promoters have produced a prospectus which, if it is anywhere near correct, offers first-time investors the opportunity to participate in a project with incredible financial returns, and enjoy travel perks which are almost as valuable as the estimated £3.50 per share offer price. By mid-1995, when the tunnel should have been operating for a couple of years, Eurotunnel estimates that the value of its shares could have risen sevenfold to around £24. It arrives at this figure by projecting the dividends over the 55-year life of the concession and discounting them back at an annual rate of 12 per cent. According to Eurotunnel, it could be paying a 39p dividend in its first full year of operation, and the payout rises rapidly thereafter as borrowings are paid off or refinanced at lower rates. Flexilink argues, though, that far from making a profit in its first year of operation Eurotunnel will report losses for 17 years, and will not be able to pay its first dividend until 30 years after flotation.

Valuation

Given the vested interest of Flexilink's ferry and port operator members, its conclusions should be treated with a great deal of reserve. But there are real problems in putting a value on Eurotunnel, and the only thing that can be said with any certainty is that Eurotunnel's profit and dividend projections are wrong. They are either too high or too low. Any investment decision is complicated by the fact that for the first seven years, Eurotunnel is a relatively high risk "start-up" project. It will, therefore, take eight years before investors have a clear view on whether it is the safe cash cow which its promoters confidently predict.

Overruns

Suggestions that the project might suffer the same sort of delays and cost overruns as the infamous NatWest bank tower in the City are grossly unfair. It is the scale of the project's logistics rather than its technical complexity which could cause problems. Indeed, the real risks in the project relate not to its construction but to its commercial viability. At the macro-economic level, a sharp rise in real interest rates combined with a prolonged European slump could ruin the arithmetic. This kind of scenario may be almost unthinkable, but investors must still face the question of whether the project can generate the revenues necessary to pay interest and dividends.

Eurotunnel starts from a strong position. Its operating costs will be less than a fifth of its revenues, and will in any case be covered for the first 12 years by guaranteed payments from its railway customers. It should be able to dictate its share of the market. However, its control over pricing levels is more debatable. The assumption is that after an overdue rationalisation of cross-Channel ferry capacity, the remaining operators will learn to live with the tunnel and not engage in *cut-throat pricing.* The *final* question over its commercial viability centres on the growth of the market. Eurotunnel has been very conservative in its estimates of the amount of traffic which its existence might create. This is a major imponderable, but the gut feeling is that if the tunnel works efficiently its business could vastly exceed its promoter's forecasts.

Admittedly, this is the bullish argument. If the project's fate was left solely to the whims of UK institutional investors, it might never get built. But the offering of valuable travel perks has aroused the interest of the individual investor, and evidence of substantial participation by the small shareholder should bolster the confidence of the underwriters. Unlike other new issues where the small investors take their profits and run, Eurotunnel could have an unusually stable long-term shareholder base. Ironically, the recent collapse in share prices could work in Eurotunnel's favour. A month ago a 17.7 per cent gross dividend yield over the life of the project did not look very exciting. These days, it has definite attractions.

Dispute over independent West European space station looms

BY PETER MARSH IN LONDON

DISAGREEMENTS over the possibility of building an embryo West European space station, ahead of a planned agreement with the US, will dominate a two-day meeting on European space policy which starts *today* in The Hague.

Ministers from the 13-nation European Space Agency will decide whether to increase the agency's spending from $1.7bn to about $3bn by 1992.

The bulk of the planned increase would be spent on three projects; the Columbus manned laboratory, the French-inspired Hermes manned spacecraft and an improved launch vehicle called Ariane-5.

Columbus and Hermes, which could cost up to $9bn by the end of the century, are likely to be the most contentious.

Both are linked to a grandiose international scheme, promoted by the US, to launch an orbiting base for scientific experiments in the 1990s, with the leading industrialised nations sharing costs. The US intends contributing roughly two-thirds of the estimated $20bn bill.

While Columbus is due to plug into the main US core of the celestial structure, Hermes would give Western Europe the capability to take astronauts to and from the base independently of US launch vehicles.

An agreement between the US and the ESA nations over the joint space station is still not signed, in spite of two years of negotiations.

Some ESA officials, backed by France, say that Western Europe should go ahead with Columbus, even if it fails to reach an understanding with the US.

On this basis, Columbus - serviced by Hermes, a small vehicle which would enter orbit on top of an Ariane-5 rocket - could form a small but autonomous West European space station which would be ready early next century.

Britain, which in recent weeks has campaigned against what it says are unrealistic ESA plans, is likely to oppose any bid to proceed with Columbus ahead of an agreement with the US.

The UK also wants ESA to abandon for the immediate future the development of Hermes, which it says is too expensive and technically unproven.

The UK position, however, has been considerably weakened by West Germany's decision on Friday to give outline backing for the French proposals on Hermes, albeit with the caveat that the project should be re-examined over the next three years.

Background, Page 4

Philips and Sony design new CDs

By Laura Raun in Amsterdam and David Thomas in London

PHILIPS of the Netherlands and Sony of Japan, joint developers of compact-disc (CD) technology, have agreed on basic specifications for a new system that can record music or data.

The CD write-once player will allow a single digital recording on a blank 12cm disc, which can be repeatedly played but not erased and re-recorded. Until now, compact-disc players could use only pre-recorded commercial material.

The Philips-Sony development is an important step in optical-disc technology towards a system capable of erasing and re-recording compact discs.

Such a re-recordable system would compete with digital audio-tape players, the new music medium developed by the Japanese which allows recording of the same high quality as the CD and which Philips has yet to introduce for fear of eating into buoyant CD sales.

However, BIS Mackintosh, a UK-based market research consultancy, believes that a write-once CD player such as that announced by Philips and Sony will have only a limited market and that digital audio-tape players will have become better established through price reductions before a re-recordable CD player is developed.

The Philips-Sony CD write-once system will be aimed mainly at the professional market, notably in the storage of information for computers and in audio recording. The equivalent of about 75,000 pages of information on A4-size paper or 60 minutes of sound can be optically recorded.

CD write-once systems are to be ready for licensing by early next year, the two companies said.

Pan-European paging service planned

BY DAVID THOMAS IN LONDON

EUROPEAN telecommunications administrations are planning the first pan-European paging service in a development which could involve a highly innovative partnership between European communications companies.

At present, paging service users cannot be contacted on their pagers outside their own country, but the telecommunications authorities are determined there should be a pan-European service by the early 1990s.

Thirteen countries have been meeting this year in an attempt to lay down standards and a timetable for this service, which will be based on a new generation of paging technology.

They have already agreed that the specification of the network should be completed by the end of next year and of the receivers by the end of 1989, with the aim of introducing the service in 1991. Some participants believe this timetable is optimistic, however.

Representatives will be meeting again in Rome next month in a bid to sort out remaining problems, including the choice of frequencies for the network and the services to be offered.

Simultaneously, representatives of the four largest countries, West Germany, France, the UK and Italy have been discussing the idea of setting up an interim service which would allow subscribers to use their pagers in any of those four countries.

This would not be based on new technology, but would involve developing new channels in the UHF range.

One proposal being considered is that operating companies would be set up in each country, with a majority stake held in the operating company by that country's domestic paging concern and a minority stake being held by the three other countries.

The UK faces a particular problem in working out how it would participate in this interim service because the Government, through its liberalisation programme, has encouraged a variety of new competitors - now numbering seven - to British Telecom, the dominant paging operator.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	19	66	Dubrovnik	S	16	61	Malta	F	21	70	Rhodes	S	15	59
Algiers	F	25	77	Edinburgh	R	6	43	Manchester	R	6	43	Rio de J'o			
Amsterdam	C	8	46	Faro	R	16	61	Manila				Rome	F	16	61
Athens	R	9	48	Florence	S	15	59	Melbourne	T	20	68	Salzburg	S	15	59
Bahrain	F	28	82	Frankfurt	C	5	41	Mexico City				San Francisco	F	15	59
Bangkok	F	32	90	Funchal	C	20	68	Miami	C	24	75	Seoul	C	9	48
Barcelona	C	17	63	Geneva	C	10	50	Milan	S	10	50	Singapore	F	31	88
Beirut	C	20	68	Gibraltar	F	19	66	Montreal	C	3	37	Stockholm	S	-1	30
Belfast	R	9	48	Glasgow	R	6	43	Moscow	F	-4	25	Strasbourg	Fg	3	37
Belgrade	F	9	48	Guernsey	C	10	50	Munich	S	5	41	Sydney	S	23	73
Berlin	C	10	50	Helsinki	Sl	1	34	Nairobi	C	25	77	Taipei			
Biarritz	C	16	61	H. Kong	C	22	72	Naples	F	7	45	Tangier	R	20	68
Bombay	S	35	95	Innsbruck	S	9	48	Nassau				Tel Aviv	C	18	64
Bordeaux	C	15	59	Inverness	C	6	43	New Delhi	S	29	84	Tenerife	F	24	75
Brussels	C	12	54	Islamabad				New York	F	9	48	Tokyo	S	17	63
Budapest	F	10	50	Istanbul	S	12	54	Nice	S	18	64	Toronto	R	8	46
B. Aires	R	19	66	Jakarta				Nicosia				Tunis	F	21	70
Cairo	F	26	79	Jersey	C	10	50	Oporto	C	17	63	Valencia	S	19	66
Cape Town	F	22	72	Jo'burg	F	25	77	Oslo	C	2	36	Venice	F	6	43
Caracas	C	28	82	Lima				Paris	C	2	36	Vienna	C	1	34
Casablanca	C	21	70	Lisbon	F	17	63	Peking	S	9	48	Warsaw	R	6	43
Chicago	C	11	52	London	C	7	45	Prague	C	6	43	Washington	C	10	50
Cologne	F	3	37	Los Angeles	F	13	55	Reykjavik	C	9	48	Zurich	F	10	50
Copenhagen	C	8	46	Luxembourg	Fg	0	32								
Corfu	S	17	63	Madrid	R	14	57								
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]								
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Reagan set to name judge

Continued from Page 1

Union on medium range nuclear missiles is still ahead.

Mr Ginsburg stepped into the shoes of Judge Robert Bork, a controversial right-wing figure who was rejected just over two weeks ago by the Senate. Mr Ginsburg then quickly ran into problems over questions of character, judgement and ethics and withdrew his candidacy on Saturday.

Officials have moved rapidly to find another candidate, hoping to put the embarrassing affair behind them as soon as possible. But they are likely to delay naming a candidate until files have been searched and backgrounds cleared. There were also signs that the Administration might be moving away from the confrontational stance it took with both Judges Ginsburg and Bork.

The end for Judge Ginsburg's nine-day nomination came after he was telephoned on Friday by Mr William Bennett, the Education Secretary, and advised to withdraw. Mr Bennett had first talked to the President, who was publicly defending Mr Ginsburg but approved the telephone call.

FINANCIAL TIMES

Monday November 9 1987

INTERNATIONAL BONDS

Eurodollar market treads a vertiginous path

THE DOLLAR bond market maintained its resilience last week, disengaging itself from further falls in the currency as it was underpinned by the conviction that the Federal Reserve would maintain an easy monetary stance.

Even in the Eurodollar bond market, where interest is limited by currency fears, yield spreads over US Treasuries narrowed on selected issues as US institutions went hunting for cheap bonds and as central banks sought to spend some of the dollars they have accumulated supporting the unit over the last few weeks.

Comments by Mr James Baker, US Treasury Secretary, that he would risk a further dollar fall sooner than a recession confirmed the course of the Treasury market. As Mr Steven Bell, chief economist at Morgan Grenfell, said: "It is clear that the US, having tightened monetary policy earlier this year to shore up the dollar, has decided to act as a closed economy."

So last week the bond market could keep going on expectations of further interest-rate falls and a flight to quality in the face of stock-market weakness. Assuming the dollar's fall does not become too precipitous, it should be able to maintain this equilibrium in the near term.

It may be helped by foreign exchange dealers' inclination to give the dollar a break after driving it down sharply over the last two weeks. One bond dealer said on Friday: "My impression is that the foreign exchange market has no confidence in the dollar but it still thinks the dollar is oversold for the moment."

Nevertheless, the Eurodollar bond market must be treading a more and more vertiginous path.

To restore confidence in the dollar, a substantial cut in the budget deficit is necessary – and that seems less and less likely. But even if it is achieved, it is probable that the Federal Reserve will use any sign of dollar strength to cut interest rates, limiting the boost to the currency.

The deflationary effects of the stock-market crash are expected to begin to make themselves felt in official figures going into the new year. At that time, with a US election looming, the Fed will be under pressure to keep monetary policy loose, even as the trade figures begin to improve.

This picture gives very little room for optimism about the dollar over the medium term unless other industrial nations substantially reduce their own interest rates.

Later on next year, the falling dollar could rekindle inflationary fears. These have been so far forgotten now that, though the US Treasury market suffered a setback after the release on Friday of unexpectedly strong employment figures for October, they were largely dismissed as "yesterday's story."

Mr Giles Keating, economist at Credit Suisse First Boston, said: "Ironically, the figures confirmed that the Fed was acting reasonably when it raised the discount rate at the beginning of September. It's a shame that this tightening of liquidity had to trigger a stock-market crash to check the growth in the economy."

Most international bond analysts are recommending investors to underweight themselves in dollar bonds. Midland Montagu, for instance, ranks the dollar market last in a list of nine major bond markets on a three-month view. Over a similar time period, Deutsche Bank Capital Markets suggests that the dollar bloc should make up 30 per cent and non-dollar bloc bonds 70 per cent of an international portfolio over the same period.

The strength of the market last week opened up a narrow new issue window, which Austria took advantage of by issuing a $250m three-year bond. However, only a limited number of borrowers can expect to squeeze through the window since central banks are limited to buying bonds with maturities under five years, for the highest quality credits.

Dealers said that, in any case, few sovereign and supranational borrowers were likely to issue new bonds because swap rates were unfavourable. Borrowers could expect to gain floating-rate dollars at only around 15 basis points under London interbank offered rate.

Prices in most other sectors of the Eurobond market rose, benefiting from the dollar's weakness. The main exception to this was the Australian dollar sector. Partly this reflected further weakness in the currency, on concerns about the effects of a world recession on Australia's commodity-based economy. But the Australian domestic market nevertheless staged a partial recovery.

The Eurobond sector, on the other hand, suffered a blow to its confidence when Orion Royal Bank announced it was withdrawing from the market. Orion had been the second-largest market maker.

By the end of the week, dealers were saying that the blow to liquidity would be less than at first feared. This was because there were still plenty of houses which have so far been peripheral players waiting to fill any vacuum left by Orion.

Nevertheless, market making capacity in the sector was looking less than healthy on Friday, with few if any prices displayed on the brokers' screens. Dealers were said to be quoting prices on some bonds on bid-offered spreads as wide as two points – previously, ½ point spreads had been the norm.

The Eurosterling market was about the most active for new issues. Three new deals emerged on Thursday, when the secondary market was buoyed up by the strength of sterling and indications that the UK authorities would be maintaining an accommodative stance after Wednesday's cut in base bank lending rates.

Baring Brothers led a £150m additional tranche for a £200m World Bank bond launched in June, which was then the largest Eurosterling issue.

Though some houses said the bond had evoked little interest, the lead-manager said it had been able to persuade UK funds to sell gilts and buy the partly-paid World Bank instead. Its argument was that, until the bond goes fully paid next June, these institutions would be able to use the rest of the proceeds of the gilt sales to invest in shares, so insuring against any rebound in the equity market.

Clare Pearson

EUROCREDITS

Switch to bank finance comes under active discussion

THOUGH the flow of new Eurocredit mandates remains unspectacular, business is definitely hotting up.

Syndicated lending had already been staging a healthy recovery this year. Now, many borrowers who might previously have planned equity or bond issues are discussing bank finance instead.

A resulting surge of new deals is unlikely to show through for some time. Clearly, it depends partly on borrowers' need for funds. But there are already murmurings that Italy might turn to the bank market for a $1bn credit. The country has been a heavy issuer in the bond markets, most recently with Y300bn of bonds last month.

While an Italian deal is very much still on the horizon, two other sovereign names are expected to award mandates within the next few days: **Crédit Foncier** *for a $300m five-year credit and Greece's OTE for a $175m eight-year borrowing.* Pricing for the French deal is expected to be very tight, and the Greek terms will also be watched closely.

Spanish borrowers will have renewed access to the market next year after a rescheduling agreement for **Fecsa**, the electricity utility, is signed.

A preliminary agreement was reached on Friday and is to be put to the full steering committee later this month. Bankers do not expect, *however, an immediate flood of demand from Spanish borrowers.*

The Central Bank of Turkey, meanwhile, has mandated Chemical Bank and Sumitomo bank for a $100m one-year loan which will replace an existing $82m facility. Turkey will pay 15 basis points less than US banks' prime rate on one tranche and 75 basis points above London interbank offered rate on the other, with front-end fees ranging up to 5 basis points on the former and 25 basis points on the latter.

Several corporate deals have emerged. **Bowater**, the US paper company, mandated Credit Suisse First Boston for a $400m five-year revolving credit, with a tender panel for advances and bankers acceptances. The interest margin is 12.5 basis points over Libor, and the facility fee is 10 basis points on the "available" portion – at least $150m – and 7.5 basis points on the "unavailable." Utilisation fees are 5 basis points if the facility is more than one-third drawn and 7.5 basis points if it is more than two-thirds drawn.

CSFB was also asked to arrange a $100m revolving credit for a UK subsidiary of **Esselte Business Systems**, the US office supplies concern which itself is 79 per cent owned by Esselte of Sweden. The five-year credit has a commitment fee of 6.25 basis points, a margin of 12.5 basis points, and fees of 5 basis points if more-than one-third used and 10 basis points if more than two-thirds. It will back up Eurocommercial paper issues, for which the company will have a $200m programme.

National Australia Bank is seeking a $250m five-year revolving underwriting facility through Merrill Lynch International, to back its US and Eurocommercical paper programmes. The margin of 6.25 basis points and underwriting fee of 6.25 basis points were said to be tight by bankers chary of providing competing banks with liquidity on over-fine terms. Merrill argued that they were fair for a Double A rate bank.

National Home Loans, the UK mortgage concern which has already made several bond issues, added its name to the recent spate of UK mortgage-related credits – though this deal is a revolving loan not backed by mortgages. The £400m facility, led by Morgan Guaranty, is divided into two equal tranches, both with a five-year maturity, a margin of 37.5 basis points over Libor and a 12.5 basis point commitment fee. The first is committed, the second is an uncommitted tap facility which may be converted next year into committed funds.

Among other corporates, Primerica increased its credit from $400m to $500m.

Alexander Nicoll

Gotabanken profits may be halved due to losses on options

BY SARA WEBB IN STOCKHOLM

GOTABANKEN, Sweden's fourth-largest quoted commercial bank, yesterday admitted that profits this year would be halved following large losses in options trading during recent months.

Senior officials are due to meet the banking inspector today to discuss consequences of the losses, which are by far the largest among a spate of distresses in the country's options market.

The bank has promised to review the future of its options trading division and to introduce new controls.

Gotabanken's profits after financial items are expected to reach only SKr300m ($49.6m), said Mr Ulf Lignell, deputy managing director, against a 1986 result of SKr600m.

Following a hastily convened board meeting yesterday, Mr Lignell said that the bank itself had lost about SKr200m on index options and that further losses of between SKr50m and SKr100m had been sustained by some of its business clients.

Though the transactions took place during the summer and autumn, the losses have grown very rapidly recently due to the bourse crash, he said.

Gotabanken is the latest to join a long list of banks and brokerages which have made heavy losses on options trading, chiefly through inadequate internal controls and the lack of measures to cut losses.

Svenska Handelsbanken, the third-largest commercial bank, fired two employees last month when it transpired that they had violated the bank's rules on trading. The Bank Inspection Board says it is considering ways of curbing the use of options as gambling instruments in response to the numerous recent scandals.

Handelsbanken said its estimated losses of SKr100m would be covered by insurance. Gotabanken says it is looking into whether its losses could be covered by insurance but admitted yesterday that it may have to bear the full cost itself.

● Norway's top three banks, Den norske Creditbank (DnC), Christiania Bank, and Bergen Bank have been placed on Creditwatch by Standard & Poor's, the US credit rating agency, writes **Karen Fossli** in Oslo.

The three banks are currently rated *A1-plus, but following an investigation* by the rating agency into the banks' current financial standing a downgrading of this position could be imminent.

The potential downgrading of the banks could come as a result of lower results achieved this year compared with the past and because of Norway's uncertain economic future.

Earlier this year Moody's, the other leading US-based rating agency, downgraded Norway's credit rating because of the country's dependency on oil income which was significantly reduced after the oil price fall of 1986.

Mr Bjoern Skogstad Aamo, Norway's Secretary of Finance, said that, with an exchange rate of NKr6.25 to the dollar next year, Norway could stand to lose NKr1.5bn ($233m) in oil and gas earnings. He said that earnings on oil and gas sales had been based on an exchange rate of NKr6.50

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	176.1	5.3	81.5	5,228.9
Prev	2,008.3	670.7	412.8	6,515.2
Other	1,118.4	162.0	790.8	286.0
Prev	1,622.7	8.4	212.4	424.7
Secondary Market				
US$	24,438.1	2,251.1	16,399.7	7,166.4
Prev	26,983.0	2,603.4	22,384.9	8,710.0
Other	32,149.6	1,916.6	7,694.3	23,012.7
Prev	21,499.5	1,437.3	4,785.6	17,594.5

	Cedel	Euroclear	Total
US$	15,133.8	40,613.3	55,747.1
Prev	16,371.1	53,917.2	70,288.3
Other	26,237.8	40,892.6	67,130.4
Prev	20,256.0	27,269.1	47,525.1

Week to November 5, 1987 Source: AIBD

UK GILTS

Pragmatism takes precedence over orthodoxy

IT WAS was another exciting period for the gilt-edged market last week. The impact of developments in the international arena *forced* a significant change in the authorities' approach to domestic policies. For the time being, pragmatism seems to be taking precedence over orthodoxy in monetary policy.

In quieter times, the macroeconomic implications of the Autumn Statement and the traditional exposition of monetary policy offered by the Chancellor of the Exchequer's Mansion House speech would have been enough for the market to digest. But the second cut in base rates in two weeks and a switch in government policy towards the "sterilisation" of foreign currency intervention stole the limelight.

The decision to go ahead with the BP issue a few days earlier and the sharp $6.7bn rise in October's foreign exchange reserves made the change in the funding rule almost inevitable. The renewed slump in the London equity market on Wednesday, at a time when City institutions were strapped for cash due to outstanding underwriting obligations, meant that it was probably essential.

The commitment to continue offsetting the net effect of the Bank's intervention in foreign exchange markets through gilt sales in the same financial year could have put an intolerable burden on the financial system.

The new rule, which allows the impact of intervention to be offset over successive financial years, was met by the market with undisguised relief. Gilt prices surged and, week-on-week, improved dramatically. At the short end the Exchequer 13½ 1992 firmed 1.5 per cent over the week (5.9 per cent since the start of October), while at the long end the Treasury 11¾ 2003/07 firmed 1.2 per cent (7.7 per cent since October).

The expectation in the short term is for gilt prices to continue to rise. Many in the market believe that lending rates will fall again, either in response to co-ordinated central bank action following an acceptable resolution to negotiations between the US Adminstration and Congress on the US budget deficit, or, failing an acceptable budget outcome, because the UK Government will be forced to lower rates to support the equity market.

At a time when equities have taken such a punishing, some economists believe that we are witnessing a secular change in investor attitudes towards bonds. Mr Stephen Lewis at Phillips and Drew is optimistic about the prospects for bonds and believes yields on long-dated gilts will fall to between 8 per cent and 8½ per cent within the next few months. "I can see real yields falling from around 5 per cent currently to more historic levels of 2½ to 3 per cent, and that will benefit gilts," he says.

But others are not completely convinced. The other side of the authorities' current pragmatism is that bank rates can rise *again*. Also, the change to the funding rule is two-edged.

While both the change and the prospect of cuts in short-term interest rate cuts are viewed as beneficial in the immediate future - markets will remain *liquid* and that lessens the *likelihood* of corporate failures in the securities sector, while investors who switched early enough out of equities into gilts have had their profits underwritten - some market analysts are concerned over the longer-term implications of the switch in policy.

According to Mr Paul Temperton of Merrill Lynch Capital Markets, assuming that the recent upward trend in the Bank's reserves does not alter appreciably and bank lending does not slow down quickly, sterling M3 is likely to accelerate to a 25 per cent to 30 per cent year-on-year growth rate in the coming months. "The unsettling effect this will have on the gilt market could easily outweigh any near-term benefit coming from relief about the quantity of new gilts to be issued," he says.

In the coming week, however, the market's interest will be full-square on the US. Developments there have driven policy and markets over the past week. News of a *proposal* to cut the budget deficit by $75.5bn over two years buoyed the gilt market towards the close of trading on Friday. But perhaps it would be prudent to wait for an *agreement*.

Simon Holberton

US MONEY AND CREDIT

Recession not foregone conclusion

THE TROUBLE with profiting from somebody else's misery - as bondholders have so spectacularly done during the past few weeks amidst the massacre of equity investors - is that the other party is liable to come back and take his revenge.

It was this kind of sentiment that started niggling at the conscience of the US bond market on Friday morning, as the Treasury's long bond fell more than a point on the announcement of a much bigger than expected rise in October's payroll employment. The jump of 549,000 jobs in October was the biggest monthly increase in US employment since April 1978 and came to more than double the consensus forecast.

It was the first tangible reminder since the historic events in the stock market last month that a recession, or even a marked slowdown in the US economy, is still by no means a foregone conclusion. Admittedly, the market *rapidly shook off* this brief episode of concern about a buoyant economy. Nevertheless, the sharp price movements on Friday morning were a warning against the excesses of optimistic schadenfreude which bond investors have been enjoying in the wake of the stock market crash.

The most important evidence of over-optimism is not in the frequently noted "paradox" of bond prices rising at the same time as the dollar collapses. In truth, there is nothing paradoxical about this contrary motion.

The dollar and the US bond price have moved in tandem during most of this year only because of Washington's inexplicable determination to support a structure of exchange rates which was unsustainable in terms of underlying trade flows. This policy was helpful mainly to America's trading partners - and even to them only in the short term. For the overvalued dollar has entailed serious political, as well as economic, costs.

As US trade deficits and foreign debts have mounted, the country's international economic "partners" have come to be identified in Washington as trade and policy "rivals" - in a process of intensifying economic xenophobia which, by next year's election, could all too easily have run out of control. Now that the policy of propping up the dollar has been abandoned, the automatic link between interest rates and the foreign exchange markets should have been broken.

Indeed - assuming that Mr James Baker, the Treasury Secretary, really meant what he said last Thursday - a rapid decline in the dollar could actually be bullish for the bond market. Once the currency markets start moving freely, the lower the dollar falls, the smaller will be the risk premium required by dollar bond *investors as a* protection against further long-term devaluation.

It is worth recalling in this context that the spread between US and Japanese or West German interest rates narrowed abruptly once the dollar started falling from its peak in February 1985. It was only when central banks started their heavy-handed policy of defending the dollar at the beginning of this year that yield spreads started to widen again, causing the debacle in the US bond market last spring.

However, if the falling dollar does not pose any automatic danger to the recovery of bond prices, there is another reason for caution about the sudden revival of bullish sentiment among bond investors around the world. The worldwide bond market rally has been based on the assumption that last month's collapse of stock markets will trigger a recession or, at the very least, a sustained period of very sluggish non-inflationary economic underperformance.

The fact is, however, that no such recession is yet assured. Indeed, if equity prices around the world were to recover in the next few months, or even to settle into a solid trading range around their current levels, the impact of the stock market crash on economic activity and inflationary expectations could well prove transitory or non-existent.

As Mr David Hale of Kemper Financial Services points out, "the next major hurdle for the bond market may be the resilience of equity prices." This argument can be taken a step further. Current US bond prices are now more or less discounting a recession next year, for it is only in a recession *that the* kind of abrupt devaluation which seems to be envisaged by the US authorities could be accomplished without significant inflationary effects.

Stock prices, on the other hand, are very emphatically not discounting a recession, since current price/earnings ratios in the 12 to 18 range are sustainable only on the assumption of further earnings growth in the next two years.

The upshot is that if clear signs of recession were to materialise within the next few months, the stock market would probably suffer another crash. If, on the other hand, the prospect *of recession evaporated*, the bond market could well collapse - the equity markets would have their revenge.

Considering how long in the tooth the current business cycle has already grown, the odds probably favour the bond market's implicit forecast of an early recession. But whether the bond or equity investors have the last laugh, more instability almost certainly lies ahead.

* * *

The following are the economic indicators due for release this week, along with the *market's expectations, as* surveyed by Money Market Services of Redwood City California:

● Merchandise trade figures for September (Thursday 8.30 am) should show a deficit of $14.7bn, down from $15.7bn last month. The forecasts range from *$12.5bn to $15.5bn*.

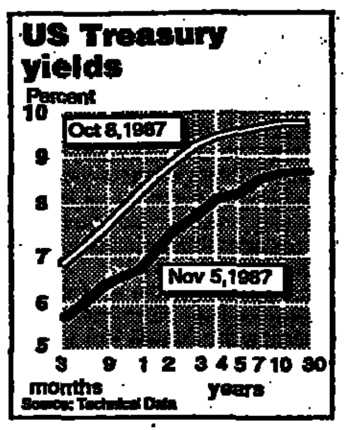
● Retail sales for October (Friday 8.30) should be down 1.5 per cent, with estimates ranging from minus 3.5 per cent to plus 0.1 per cent.

● Producer prices (Friday 8.30) should be up 0.2 per cent, with a range of 0.1 per cent to 0.4 per cent.

● Industrial production (Friday 9.15) should be up 0.6 per cent with a range of 0.1 per cent to 1.2 per cent.

Anatole Kaletsky

US Treasury yields



Source: Technical Data

Cresvale recruits Lloyds Merchant Bank team

BY CLARE PEARSON

CRESVALE, the market maker specialising in equity related instruments, has recruited five dealers and salesmen formerly employed by Lloyds Merchant Bank, which closed its bond trading operations in June.

The team has been recruited to start up a marketing and dealing operation in the European equity warrants markets.

Cresvale is best known for its presence in the Japanese warrants and convertibles markets, but it also makes markets in other Far Eastern, and US and UK equity related products.

The new salesmen are Mr Viktor Boehler, who will join Cresvale as a director in the sales department, Ms Julie Baker and Mr Stephen Trezzini. Mr Ron Smythe and Mr Paul Blinkhorne will join as dealers.

Grupo Alfa banks write off $1bn debts

BY DAVID GARDNER IN MEXICO CITY

GRUPO INDUSTRIAL Alfa, Mexico's biggest private holding company, has ceded 45 per cent of its stock to international banks in exchange for their writing off nearly $1bn of the group's $2.7bn foreign borrowing, the largest private foreign debt in Latin America.

The agreement, which follows 5½ years of negotiations, contains an innovative clause where by Alfa buys $200m in Mexican sovereign debt from its creditors at a price which has not been revealed. Mexican paper now trades in the secondary market at around 53 cents on the dollar. But Alfa's discount is likely to be substantially less.

In exchange for this, and a $25m completion fee, Alfa will be able to clear its books of $920m in debt. This will leave it with just over $1bn, owed by Hylsa, the steelmaker which is the group's core business, still to reschedule.

Alfa suspended principal payments on its foreign debt in April 1982, and stopped paying about three quarters of its interest bill in August that year, when Mexico ran out of foreign exchange and precipitated the Latin American debt crisis.

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	6.69	6.85	7.45	11.34	5.71
Three-month Treasury bills	5.58	5.26	6.75	6.52	5.01
Six-month Treasury bills	6.37	5.92	7.32	6.54	5.06
Three-month prime CDs	7.03	7.37	8.60	7.25	5.46
30-day Commercial Paper	6.56	6.86	7.60	7.70	5.55
90-day Commercial Paper	6.87	7.23	8.25	7.15	5.45

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	101⅞	n/a	8.58	8.65	9.76
20-year Treasury	107⅝	+2¼	9.18	9.22	10.05
30-year Treasury	100⅝	+2	8.85	9.03	9.93
New 10-year "A" Financial	n/a	n/a	9.75	9.85	10.80
New "AA" Long utility	n/a	n/a	9.95	10.25	11.15
New "AA" Long Industrial	n/a	n/a	9.45	10.04	11.10

Source: Salomon Bros (estimates).

NRI TOKYO BOND INDEX

December 1983 = 100	5/11/87	Average yield (%)	Last week	12 wks ago	26 wks ago
	PERFORMANCE INDEX				
Overall	137.38	4.94	136.29	135.42	141.98
Government Bonds	138.36	4.56	137.06	136.47	145.20
Municipal Bonds	137.81	5.46	137.05	134.99	140.87
Govt.-guaranteed Bonds	138.63	5.53	137.85	135.65	141.62
Bank Debentures	133.37	4.60	132.12	131.62	135.54
Corporate Bonds	135.69	5.96	135.17	135.17	137.80
Yen-denom. Foreign Bonds	136.07	6.94	135.89	138.27	139.12
Government 10-year†	5.20	-	5.29	5.70	4.08

† Estimated par yield

Source: Nomura Research Institute

FT/AIBD INTERNATIONAL BOND SERVICE

[illegible]

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions. FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn=current coupon. CONVERTIBLE BONDS: US Dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price. WARRANTS: Equity warrant premium=price premium over current share price. Bond warrant at yield=yield at current warrant price. Closing prices on NOVEMBER 6

THIRD WORLD DEBT

Bahrain banks may form loan company

THE ESTABLISHMENT of a company to take over the Third World debt exposure of offshore banks based in Bahrain is under active consideration.

The proposal is understood to have the support of many senior bankers on the island, including Mr Abdullah Saif, chairman of the Bahrain Monetary Agency, which supervises the island's banks.

Mr Saif is also head of Gulf International Bank, which is owned by the seven Arab Gulf states and one of the Bahrain banks with the largest exposure to Latin America.

The plan, which is emerging from talks between officials of Gulf International Bank and Arab Banking Corporation but which has also been discussed with other banks on the island, faces a number of hurdles before it can be implemented. The accounting treatment of such a move, for example, has yet to be established.

Problem Third World debtors are a headache for the Arab offshore banks based in Bahrain, since they are suffering from the effects of a regional recession. This has shrunk their opportunities for new business and led to problems on loans to borrowers in the Gulf.

The banks have been reluctant to follow Western banks, led by Citicorp, in making sharp increases in provisions for their exposure to rescheduling countries. This is partly because there is no tax advantage for them to do so - offshore banks in Bahrain operate without paying taxes - but is also because some of them are not well enough capitalised to take the full provisions.

The proposal, which would avoid the need to make these big provisions, would call for the establishment of a company into which the Bahrain banks would place their Third World loans and a cash sum. The cash sum would be to buy enough zero-coupon bonds to guarantee repayment of the loan's principal in, say, 20 years.

The various banks' equity in the company could be adjudged to be the cash sum and the value of the loans they have deposited, as determined possibly by the secondary market. At the same time, they would be effectively loaning the company the face amount of their exposure to the rescheduling countries. The interest repayments by the debtors would be passed through to the shareholder banks.

This approach suggests a number of potential problems. For on thing, it depends rather heavily on the continued meeting of interest payments by the borrowing countries. Potential problems could also arise when rescheduling packages involve the banks in granting new money.

GIB is known to have resisted participation in past new money packages. Its late decision to join the most recent package from Argentina was said to have followed political pressure from the US.

The banks were set up mostly in the oil boom of the late 1970s, and became active lenders to Latin America at that time. While the amounts they lent were often not large in absolute terms, for some offshore banks they represent a significant portion of their loan portfolio and a large proportion of their capital.

Many of the banks, particularly those unlike GIB and ABC which are not owned by Arab governments, would find it impossible to raise new capital.

The worst affected by the debt crisis of the banks is Arlabank, a consortium owned by 28 Arab and Latin American institutions. Its direct exposure of $1.1bn at the end of 1986 was more than four times its net free capital, and last year's accounts were qualified by accountants Arthur Anderson.

ABC's exposure to Latin America is about $1.25bn, with a further $400m outstanding to other resceduling countries. GIB's Latin American debt exceeded $850m at end-1986.

Assets of all the Bahrain offshore banks totalled $58.3bn at the end of June.

Stephen Fidler

Toray profits more than trebled

By Our Tokyo Staff

TORAY INDUSTRIES, Japan's leading producer of synthetic fibres, more than trebled its profits in the six months to September, mainly because of cost reductions and sales increases in its plastics and new business sectors.

Pre-tax profits were up 241 per cent to Y16.3bn ($120.7m) in spite of a 2 per cent decline in overall revenues to Y270.9bn. Net earnings rose 255 per cent to Y7.4bn and earnings per share were up 235 per cent to Y5.81.

Toray said sales of fibres and textiles dropped 7.8 per cent to Y160.9bn, due mainly to a reduction in exports.

However, sales of plastics rose 5.1 per cent to Y78bn, reflecting steady demand for the group's engineering plastics.

The company forecast that its pre-tax profit for the full year would reach Y33bn, more than double last year's Y16.7bn.

● Toyoda Automatic Loom Works, the textile machinery, car assembler and industrial equipment maker, lifted pre-tax profits 7 per cent to Y8.6bn in its first half to September.

Sales were up 8.4 per cent to Y2,174.3bn.

Assuming an average dollar rate of Y140 in the second half, annual sales are projected to exceed Y340bn.

Citicorp in rival offer for near-bankrupt FCA

BY ANATOLE KALETSKY IN NEW YORK

CITICORP, the leading US commercial bank, has offered to buy Financial Corporation of America, the near-bankrupt holding company for the biggest US thrift institution, which is at present controlled by the Federal Home Loan Bank Board.

The Citicorp offer will compete with a bid made in September by First Nationwide Bank.

While no details of either bid have been disclosed, both are thought to involve substantial capital injections, estimated at anywhere from $1.5bn to $4.5bn.

Bidders for FCA are also likely to require that most of the company's bad loans be stripped out of its books and retained by the federal authorities.

The home loan board, which will determine whether to accept either of the offers currently on the table or to opt for a proposal put forward by FCA's own management, is likely to be motivated mainly by the size of the bad debt portfolio which will be left in government hands after a takeover is completed.

Robert Maxwell mulls Bell & Howell purchase

BY OUR NEW YORK STAFF

MR ROBERT MAXWELL, the British publishing and printing magnate, has said he would be interested in buying Bell & Howell, the Illinois company which was once a leading manufacturer of motion picture equipment and now publishes textbooks, operates computer data bases and provides mail processing and information storage equipment.

Bell & Howell has been surrounded by takeover speculation since early this year when it was disclosed that the Bass Brothers of Fort Worth owned 15.9 per cent of the company, while Macmillan, the large US publishing house, held a stake of 7.7 per cent.

In comparison, Mr Maxwell's present shareholding is minor, at 2.3 per cent. However, he said in a letter delivered to Bell & Howell on Friday night that he was considering buying 50 per cent or more of the company and had applied to US antitrust authorities for the clearances required. At Bell & Howell's closing price of $55¼ on Friday, the whole company would cost around $600m.

Burlington sells denim plant for $205m

BY RODERICK ORAM IN NEW YORK AND BOB GIBBENS IN MONTREAL

BURLINGTON INDUSTRIES, the US textiles group taken private last summer by a group of investors led by Morgan Stanley, the Wall Street investment bank, has announced its first asset disposal.

It has agreed to sell its denim plant in Erwin, North Carolina, to Dominion Textile of Canada for US$205m. Burlington will continue to make denim at two other US plants.

Dominion Textile, which said it is considering buying other Burlington assets, had joined Mr Asher Edelman, the New York investor, in an abortive attempt to thwart the $2.16bn leveraged buyout led by Morgan Stanley and including Burlington's senior executives.

Burlington said it had avoided the problems that some other heavily indebted buyouts had encountered following the stock market collapse last month. Some are finding it harder to make the necessary asset sales at acceptable prices needed to service their debt.

It announced in late October that sales for its 1987 year had risen 18 per cent to a record $3.3bn. Cash flow from operations, defined as operating earnings before interest and taxes plus depreciation and amortisation, totalled some $350m, up 35 per cent.

The company does not need to sell assets to meet its financial obligations, an official said. "The business is going very well. Of course we are going to be opportunistic and divest a number of properties. We got more than we anticipated for the denim plant."

Dominion Textile expressed satisfaction with the deal. "We've got one of the crown jewels," an executive said.

Swift Textiles, Domtex's existing US denim producer, based in Georgia, will take the Erwin plant under its wing, doubling its payroll to 2,300. Domtex first moved into the US denim market in 1975 with acquisition of DHJ Industries, and has made further takeovers since then. It will now be a major factor in the market.

It is also expanding in industrial products in the US, buying a propylene-based woven fabrics and lightweight non-woven fabrics operation in Virginia for US$130m.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Flash II†♦	35	1992	5	(b)	100.10	Sanwa Int.	-
Kansallis Osake Pankki†♦	50	1990	3	(c)	100.25	Yamaichi Int.	-
Sprint III†♦	30	1992	5	(f)	100.10	Fuji Int.Finance	-
Austria♦	250	1990	3	8½	100⅜	CSFB	8.354
NEW ZEALAND DOLLARS							
Sanwa Aus. Leasing†♦	50	1992	5	(a)	100.10	Sanwa Int.	-
DEUTSCHE MARKS							
EIB♦	300	1995	7¾	6¼	100	Deutsche Bank	6.244
Deutsche Fin. Curacao♦	500	1993	5¼	5½	100	Deutsche Bank	5.494
SWISS FRANCS							
Continental Health♦(g)	20	1995	-	(7)	(100)	Bqe Gutzwiller K.B.	-
Nokia Corp.♦	100	1993	-	5⅛	99.75	Nordfinanz-Bank	5.175
Belgium**♦	75	1992	-	4¾	100⅛	Kredietbank	4.721
Belgium**♦	75	1991	-	4⅝	100⅛	Credit Suisse	4.590
Fidelity & Guaranty	120	1997	-	(5½)	(100)	SBC	*
Norges Kommunalbank♦	60	1997	-	5⅛	101	Bqe Gutzwiller K.B.	4.996
World Bank♦	100	1994	-	5	100	SBC	5.000
World Bank♦	100	1997	-	5¼	99.75	SBC	5.283
Chubu Electric Power♦	200	1992	-	5	100½	UBS	4.885
Privatbanken♦	45	1991	-	4¼	100	Kredietbank	4.000
NZI Finance**♦	150	1994	-	5⅛	99.75	UBS	5.168
ECU							
EEC♦	50	1994	7	7⅝	97.25	Morgan Guaranty	8.156
YEN							
Cregem†♦	15bn	1992	5	(d)	100.25	LTCB Int.	-
Tokyo Electric Power†♦	60bn	1992	5	(d)	100.30	Nomura Int.	-
African Dev.Bank♦	15bn	1992	5	5¾	101.25	Nomura Int.	5.400
ENEL†♦	10bn	1992	5	(d)	100.10	Nomura Int.	-
STERLING							
Investors in Industry†♦	125	1994	7	(e)	100	Warburg Secs.	-
Compagnie Bancaire♦	50	1992	5	10	101¼	Kleinwort Benson	9.544
Ford Credit Funding♦	50	1992	5	9⅝	101⅛	Warburg Secs.	9.333
World Bank♦	150	2007	20	9¾	96	Baring Brothers	9.711
DANISH KRONER							
F.I.H.**♦	300	1991	4	11	100⅜	C'hagen Handelsbk	10.879
City of Vienna♦	350	1994	6¼	11¼	101⅛	Sparekassen SDS	10.967
LUXEMBOURG FRANCS							
ASLK/CGER**♦	300	1992	5	7¾	100½	Den Norske Credit Bk	7.626
IIIK Outokumpu**♦	300	1992	5	7¾	100⅛	Kansallis Int. Lux.	7.719

*Not yet priced. †Floating rate note. **Private placement. ♦Final terms. ‡Currency linked. §Convertible. (a)45 bp below 6m New Zealand bank bill offered rate. (b)21 bp above 6m Libor. (c)25 bp above the yield of 10 year US Treasury bonds.(d)55 bp below Japanese long term prime rate. (e)⅛ over 3m Libor. (f)24 bp above 6m Libor. (g)Postponed. Note yields are calculated on a AIBD basis.

Fiona Thompson looks at the change of strategy by Coloroll

Not a fashionable time for US growth

"It was like the relief of Mafeking," said John Ashcroft, chairman and chief executive of the home furnishings group Coloroll, speaking from his car telephone on the drive back to Manchester from Derby.

Mr Ashcroft went to the Derby Assembly Rooms last Thursday to address the 380 strong workforce of Denby Stoneware, part of the Crown House group which was acquired by Coloroll in April. The session had gone extremely well, he said. The problems at Denby were obvious. It had been selling the wrong product at the wrong price to the wrong people. Coloroll would see them right.

John Ashcroft, 39 on Christmas Eve, is not a man to express self-doubt, even after he's done a 180 degree turn. After spending £150m buying nine companies since January 1986, he surprised the City last week by announcing a freeze on acquisitions.

Many other companies have put individual deals on ice since the stock market crash, but Coloroll is the first of the highly acquisitive companies which have risen on the back of the bull market to say it is making such a radical change of direction.

The acquisition strategy had served Coloroll well, enabling it to branch out from wallcoverings and matching fabrics into earthenware ceramics, crystal, carpets, pillows and quilts, and see profits rise from £6.2m last year to £10.3m this, on sales 89 per cent stronger at £115.2m.

In tandem with its new action plan, the company last week reported interim profits for the 1987/88 year three times ahead at £11.2m on £124.4m sales. City analysts are forecasting £28m profits for the full year to March 31, 1988.

Mr John Ashcroft (on far right), chairman and chief executive of Coloroll, with his management team (left to right) Bill Dobie, Frank Martin, and Philip Green, meet the Denby workers.

Prior to the crash, the company's long-term objective was to build up a UK/US axis with up to 60 per cent of earnings coming from the US.

"The long term strategy is still in place," said Mr Ashcroft. "This is just a holding phase. We want to develop a strong home fashion group in the UK and the US. But there are smarter times to get into the US than now."

Coloroll's much-hinted at, and now shelved, next move across the Atlantic would have meant an increase from 20 per cent to over 40 per cent of earnings coming from the US. Instead, John Ashcroft said last week, "we were lucky. It was like musical mats. When the music stopped we were on the mat."

Coloroll will reconsider its ban on acquisitions, he said, only when there is renewed confidence in the UK stock market - particularly by underwriters, when the exchange rate is less volatile, and when there are signs that the worst is over for the US economy.

For the moment it is all hands to the UK pump. The plan of action is five-fold: to eliminate all gearing, improve cash flow, invest in areas of strong growth, launch a low cost diversification strategy and improve margins.

A gearing level of 30 to 40 per cent has long been one of Coloroll's five minimum performance criterion - along with 10 per cent return on sales, 25 per cent return on capital, 20 per cent annual earnings per share growth and 10 per cent annual dividend increase - but the aim now is to eliminate all gearing within 12 months.

The halt on purchases - and the consequent reorganisation and building work - will hold next year's capital expenditure at between £10m to £15m, sharply down from this year's £22m.

Keeping less stocks will improve cash flow, providing more funds for investing in three strong growth areas: textiles, foam vinyl wallcoverings in the UK, and strippable wallcoverings in the US.

The diversification plan will include lighting (using ceramic bases), upholstered furniture and giftware.

Coloroll has always believed in maximum employee involvement - its 6,500 employees receive team briefings once a month in groups of 10 or 20; 'How are we doing' boards are on all the factory floors - and employees are at the heart of its bid to improve margins. In January, the company will launch 'Quips', quality improvement programmes, to eliminate waste levels.

"By this we will be saying to investors 'Watch this space', and to employees 'it's time for cleaning kit, doing drill'," said Mr Ashcroft. His frequent use of slogans is fully intentional, Coloroll speaks a language new management members fail to pick up at their peril.

John Ashcroft's style is management by metaphor, Coloroll's Blue Book his statement of the company's philosophy and culture. While highlighting a number of sensible management practices, it has to be said that parts of it smack of that treatise written by the victor of Mafeking Lord Baden-Powell - Scouting for Boys.

"Be prepared " heads Coloroll's 22 point guide to successful negotiation. "Don't picnic in the jungle", managers are entreated, a nice niche carved in the market is never safe. Bosses must not "strut and tut", but rather wander on site every Monday morning and Friday afternoon to talk with the troops. "A business doesn't need too many intellectuals". Charts and structures, like management, should be "lean, mean and hungry. No fat cats" please.

In recent years the company has made much of its 20 per cent growth target. Despite the ban on acquisitions, Mr Ashcroft claims "it is still in the script". However,there must be strong doubt whether it can be attained purely on organic growth.

A decision will be made before the financial year-end on whether or not to hold on to the strategic stakes built up in takeover targets, for which the company has set aside £4.6m against anticipated losses, especially for those in the US.

Coloroll's radical change of direction cannot but beg the question - is it a sign of clear management decisiveness or is it playing to the gallery? John Ashcroft's many supporters in the City would see it as the former and the man himself is convinced Coloroll has made the right decision.

"It is the perfect opportunity to funnel back action into the business. We may joke about slippers next to the boardroom fire but no one seriously thinks that is what we are going to do. We want to be the largest home fashion group in the world. The strategy is in place."

Mountleigh in Stockley Park sale talks

By Nikki Tait

Mountleigh, the aggressive property company which took a predatory interest in retail giant, Storehouse, over the summer, yesterday confirmed that it has been discussing the possible sale of its Stockley Park development with Phoenix Properties & Finance, a much smaller property group. Any deal, however, would be subject to funding.

Stockley Park was acquired by Mountleigh as part of its £365m takeover of the Stockley group in May, and constituted one of the acquisition's three principal developments. The 360-acre site lies a couple of miles north of London's Heathrow airport, close to the M4 and the business park itself occupies 90 acres.

Mountleigh, however, is reknowned as a "break-up" specialist - tending to split up and sell on the various elements of the companies it acquires.

Phoenix - a former tin-mining operation which turned property investor in 1980 - has seen a number of changes recently. In June 1986, Professor Roland Smith became chairman - before stepping down again after twelve months - and the following month Mr John Duggan was appointed chief executive. In July this year, Phoenix made an agreed £40m bid for Irish property group, Rohan. Its current market capitalisation is under £14m.

TI facing legal action in the US

With shareholders set to formally veto the proposed $144m (£86m) acquisition of US-based Bundy group at an extraordinary general meeting later today, British engineering engineering company, TI, is steeling itself for legal action in the States.

The company said yesterday that it has not yet received any formal notification of the commencement of any legal action in the US, but concedes that lawsuits are likely.

TI is recommending shareholders not to proceed with the Bundy deal. The decision follows the sharp downturn in financial markets and the current uncertainty which overhangs both the American and world economies. Accordingly, TI says it can no longer justify the $40-a-share offer which it was making for the US small diameter tubing manufacturer, and its adivsers - S. G. Warburg and Morgan Stanley - have refused to renew advice that the acquisition represents "fair value" at that price.

Shares in Bundy fell sharply on news of TU's propsective withdawal - down from over $36 to $20 within hours. Ahead of the deal they were trading at around $28.

Brokers silent on BP underwriting

BY NIKKI TAIT

CITY stockbrokers, Hoare Govett, were yesterday remaining tight-lipped about reports that FAI Insurance group, the Australian company headed by Mr Larry Adler, had yet to meet sub-underwriting payments on the £7.2bn BP issue.

Hoare Govett acted as lead brokers in the issue and is thought to have arranged a 100-strong sub-underwriting syndicate.

The brokers said that they could not discuss the involvment of individual names on their sub-underwriting list. However, Hoare Govett's finance director, Mr Peter Jenks, added that a suggestion in the weekend press that all but one sub-underwriter had paid in full was "a little too exact".

Overall, he said, the issue - as far as Hoare Govett was concerned - had been a success and had gone "very smoothly". The brokers, he said, were quite confident that all monies would be received: "It is quite remarkable that the actual cash has all moved - these are massive operations."

N. M. Rothschild, the lead underwriter on the issue and the Government's adviser, said it felt it would be inappropriate to make any comment on the possible position of FAI or on Hoare Govett's area of responsibility.

Company News in Brief

MUSTERLIN Group (publisher) has signed agreement to acquire illustrated non-fiction book group from Elsevier Boeken for Fl 1.2m (£360,000). New business expected to produce sales of £2m in full year.

BETEC has completed the intra-group repurchase of the 3.88m ordinary shares held by its wholly-owned subsidiary, Clayhithe Investments. Those shares will be cancelled.

BRADFORD PROPERTY Trust's brokers, Alexander Laing Cruickshank, bought 10,000 Bradford ordinary on Thursday at £5 and 40,000 yesterday at £4.90, for redemption.

CATALYST COMMUNICATIONS Group, marketing company, is buying Chris Parry Promotions for a maximum of £5m. An intial payment of £866,666 will be satisfied by £100,000 cash and the balance in shares.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Futura, Hartwells, Stoddard, Stratton Investment Trust, Walpac.

Finals- Amer Group, C.H. Bailey, Blenheim Exhibitions, Entertainment Production Services, UDO Holdings.

FUTURE DATES

Interims-	
Bulmer (H.P.)	Dec 9
CML Microsystems	Nov 17
Heath (C.E.)	Nov 17
Murray Technology Invs	Nov 24
Tie Rack	Nov 12
Volex	Nov 16
Whitbread	Nov 17
Whitbread Investment	Nov 12
Finals-	
Ivory and Sime	Nov 16
Jessups	Nov 18
London Entertainments	Nov 16
Moss Advertising	Nov 25
Piccadilly Radio	Nov 17
Ranks Hovis McDougall	

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except when the forthcoming board meetings (indicated thus *) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
ANZ	Nov 17	Final 16c	Hanson Trust	Dec 4	Final 2.85
* Allied Lyons	Dec 1	Interim 3.9	* Kwik Save	Nov 25	Final 4.2
* Amersham	Nov 9	Interim 2.8	* Land Secur.	Nov 11	Interim 3.25
Argyll Grp	Dec 2	Interim 3.1	London Intl	Nov 18	Interim 1.25
* BT	Nov 26	Interim 3.35	MEPC	Nov 26	Final 8.5
BET	Nov 20	Interim 5.0	Magnet	Nov 26	Interim 2.2
* BOC	Nov 12	Final 6.42	* Metal Box	Nov 10	Interim 1.7
* BPB Inds	Nov 26	Interim 4.5	* Meyer Intl	Nov 17	Interim 3.0
* Bass	Dec 3	Final 12.6	Norcros	Dec 9	Interim 3.0
* Beecham	Nov 19	Interim 7.183	* Northern Fds.	Dec 9	Interim 4.25
* Boots	Nov 18	Interim 2.8	Polly Peck	Dec 1	Final 5.25
Burton	Nov 20	Final 4.1	* RHM	Nov 17	Final 4.49
Cable & Wire	Nov 20	Interim 2.05	Rothmans Intl	Nov 21	Interim 2.5
Charter Cons	Dec 10	Interim 4.0	* 600 Group	Dec 3	Interim 2.34
Courtaulds	Nov 26	Interim 2.4	Saatchi	Dec 4	Final 8.84
* Dawson Intl	Nov 26	Interim 2.1	Sainsbury J	Nov 11	Interim 2.05
Dee Corp	Dec 11	Interim 3.0	* Smiths Inds	Nov 11	Final 3.37
* De La Rue	Nov 10	Interim 2.75	Storehouse	Nov 13	Interim 2.3
GEC	Dec 2	Interim 1.5	Tate & Lyle	Dec 3	Final 15.0
Great Pt'ld Estates	Nov 11	Interim 2.5	Thorn EMI	Dec 10	Interim 5.0
GUS	Dec 11	Interim 8.0	Trust House	Dec 1	Final 7.0
Greenall Whitely	Dec 8	Final 3.2	* Unigate	Nov 16	Interim 4.5
Ferranti	Nov 28	Interim 0.8	Vaux	Dec 9	Final 8.32
Hall (M.)	Nov 27	Interim 1.75	* Yale & Valor	Nov 12	Interim 1.53
			* Wellcome	Nov 12	Final due
			* Whitbread	Nov 12	Interim 2.5

Neil & Spencer deeper in red

PRE-TAX losses at Neil & Spencer Holdings deepened in the six months to May 31 1987. The first half loss was £585,000 compared with £81,000 and £1.97m in the year to November 30 1986.

Group turnover was down from £19.39m to £11.61m. There was an operating loss of £95,000 against profits of £551,000, and interest took £490,000 (£632,000).

The directors said that group performance, at operating level, was generally in line with expectations, although the results of the distribution companies were affected by delayed deliveries from group factories.

Present indications were that the shortfall should be made good before the end of the year.

The first half was dominated by the development of a group rationalisation plan involving a series of major asset disposals.

The group now comprises three manufacturing and two distribution companies - the group's interests are in dry cleaning, laundry and textile machinery.

Neil and Spencer Limited continued to be the principal concern to the group. A new management team has been recruited and the severe cash restraints, which bedevilled production in the past, have been eased.

After tax of £36,000 (£103,000) there was an extraordinary debit of £436,000, attributable to the restructuring programme. Losses per 10p share were 2.2p compared with 0.7p and 7.9p at the previous year end.

As a result of trading losses in the first half, further extraordinary items arising from the approved asset disposal programme and adverse currency movements on the reserves at November 30 1986, net assets have fallen below half the nominal value of the company's called up share capital.

Martin Ford reduces its interim loss to £206,000

THE CONSIDERABLE improvement in the fortunes of **Martin Ford**, property investment and development and menswear retail, reflects solely the trading results of Barrie Menswear and the central costs of the group.

Acquisition of Sellar Morris Developments, Take Six and the property portfolio were acquired after the period covered by the interim results.

The company is still in the red, with a pre-tax loss of £206,000 for the 28 weeks to August 15 1987 but this compared with a loss of £1.14m for the 28 week period ended June 1 1986. And there was an operating profit of £103,000 this time compared with a loss of £1.14m previously. Central costs of £308,000 were incurred.

Losses per 10p ordinary, which have moved down from a full listing to the USM, were 0.83p (6.89p loss). There was a tax credit of £72,000 (£67,000) and an extraordinary credit of £1.75m (£312,000 debit), comprising primarily the surplus on disposal of 'Stage'.

Mr Ronnie Aitken, chairman, said that Sellar Morris is trading at a level exceeding expectations at the time of the acquisition and the business of Take 6 has been integrated with Barrie Menswear and the 'Review' concept adopted by Barrie has been well received and is generating good results.

Mr Aitken said the company was in sound financial health with substantial cash resources. He looked forward with confidence to the results for the period to April 30 1988 and said it was the intention to restore dividend payments in respect of that period.

GRANVILLE

SPONSORED SECURITIES

Capitalisatn £000's	Company	Price	Change on wk	Gross div.(p)	Yield %	P/E
6,740	Ass. Brit. Ind. Ordinary	200	−1	8.9	4.5	7.5
—	Ass. Brit. Ind. CULS	200	−1	10.0	5.0	—
800	Armitage and Rhodes	32	0	4.2	13.1	4.5
4,140	BBB Design Group (USM)	50xd	−19	2.1	4.1	8.0
107,672	Bardon Group	165	−10	2.7	1.6	28.2
9,545	Bray Technologies	165xd	−7	4.7	2.8	13.2
938	CCL Group Ordinary	268	−2	11.5	4.3	6.9
1,688	CCL Group 11pc Conv. Pf.	135	−5	15.7	11.6	—
20,252	Carborundum Ordinary	159xd	−9	5.4	3.4	13.8
728	Carborundum 7.5pc Pf.	104	+2	10.7	10.3	—
2,915	George Blair	158xd	−10	3.7	2.3	4.1
7,648	Isis Group	96	−7	—	—	—
10,207	Jackson Group	98	−6	3.4	3.5	10.8
24,953	Multihouse NV (AmstSE)	320	−60	—	—	12.7
17,500	Record Holdings (SE)	70	−12	0.1	—	14.1
3,078	Record Hldgs. 10pcPf. (SE)	114	0	14.1	12.4	—
612	Robert Jenkins	60	0	—	—	2.6
5,580	Scruttons	124xs	0	5.5	4.4	4.9
5,994	Torday and Carlisle	211	−9	6.6	3.1	10.2
2,410	Trevian Holdings	56xr	+14	0.8	1.3	5.1
13,000	Unilock Holdings (SE)	65xd	−7	2.8	4.3	12.0
49,475	Walter Alexander (SE)	180xd	−25	5.9	3.3	13.3
4,668	W. S. Yeates	200	0	17.4	8.7	20.0
4,240	West Yorks. Ind. Hosp. (USM)	140	−14	5.5	3.9	14.9

Securities designated (SE) and (USM) are dealt in subject to the rules and regulations of The Stock Exchange. Other securities listed above are dealt in subject to the rules of FIMBRA.

Notice to Holders of

6¼% Convertible Subordinate Debentures Due 2002 of

W. R. Grace & Co.

Pursuant to Section 1305 of the Indenture dated as of September 15, 1987 from W. R. Grace & Co. (the "Company") to Manufacturers Hanover Trust Company, Trustee, with respect to the above-captioned Debentures, notice is hereby given that the Board of Directors of the Company on October 1, 1987 approved a 100% stock dividend on the Common Stock, par value $1.00 per share, of the Company, payable on December 10, 1987 in the form of one additional share of Common Stock for each outstanding share of Common Stock held of record at the close of business on November 5, 1987, subject, however, to approval by the shareholders of the Company at a meeting held on October 30, 1987 of the amendment of the Restated Certificate of Incorporation of the Company to, among other things, increase the number of shares of Common Stock that the Company is authorized to issue.

The amendment has been approved, and the Conversion Price of the Debentures has, in accordance with Section 1304 of the Indenture, been reduced to one-half the prior amount effective at the opening of business on November 6, 1987, so that upon a conversion after the stock dividend record date and after December 14, 1987, the Exchange Date as defined in the Indenture, a holder of the Debentures will be entitled to receive the same number of shares of Common Stock of the Company as would have been received had the conversion been made immediately prior to the record date. The Conversion Price has accordingly been reduced from $84.25 to $42.125 principal amount of Debentures for each share of Common Stock.

This Notice is not a call for redemption nor a suggestion that conversion rights be exercised after the Exchange Date, and does not request or require any action by holders of the Debentures.

W. R. Grace & Co.

Dated: November 9, 1987

Issue of up to U.S. $75,000,000

SPAREKASSEN

sds

Sparekassen SDS

(A savings bank established under Danish Banking Law)

Floating Rate Capital Notes due 1991

U.S. $40,000,000 having been issued as the initial tranche and U.S. $20,000,000 having been issued as a subsequent tranche

For the period from November 9, 1987 to February 8, 1988 the Notes will bear interest at 7⅞% per annum. U.S. $1,880.03 will be payable on February 8, 1988 against Coupon No. 8.

By: The Chase Manhattan Bank, N.A. London, Agent Bank

November 9, 1987

CHASE

Province of Nova Scotia

U.S. $100,000,000

11¼ per cent. Debentures due 1991

U.S. $100,000,000

11¼ per cent. Debentures due 1998

NOTICE IS HEREBY GIVEN that The Bank of Nova Scotia, Bruxelles has resigned as a paying agent for the above issues of Debentures with effect from 11th November, 1987

Province of Nova Scotia

FINANCIAL TIMES STOCK INDICES

	Nov. 6	Nov. 5	Nov. 4	Nov. 3	Nov. 2	Oct. 30	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs.	91.12	91.47	90.51	90.14	89.76	89.87	93.32	84.49	127.4	49.18
Fixed Interest	94.42	94.47	93.90	94.07	93.55	93.76	99.12	90.23	150.4	50.53
Ordinary	1274.0	1287.9	1255.6	1286.1	1342.7	1360.9	1926.1	1255.6	1926.2	49.4
Gold Mines	261.6	273.5	279.2	305.6	314.9	312.1	497.5	261.6	734.7	43.5
FT-Act All Share	815.68	824.90	813.85	844.14	876.00	887.33	1238.57	813.85	1238.57	61.92
FT-SE 100	1620.8	1638.8	1608.1	1653.9	1723.7	1749.8	2443.4	1608.1	2443.4	986.9

UK APPOINTMENTS

Higgs and Hill Construction chairman

Mr David Hill has been appointed chairman and a director of HIGGS AND HILL CONSTRUCTION HOLDINGS. He will remain joint managing director of Higgs and Hill, and chairman of Higgs and Hill Overseas. **Mr Peter Clement** has been appointed managing director of Higgs and Hill Overseas.

*

Sir Michael Franklin has been appointed a director of BARCLAYS BANK and of Barclays PLC from January 1.

*

CONTEMPORARY PERFUMERS has appointed **Mr Trevor Pearson** as financial director. He was financial controller.

*

ALBERT FISHER has appointed **Mr Richard Pertergill** as chief executive of the group's UK and European operations.

*

Mr John E. Lawrence has taken over as chief executive of THORN SECURITY. This follows the acquisition by Thorn EMI of JEL Energy Conservation Services, which was founded by Mr Lawrence and of which he remains chief executive.

*

Mrs Olivia Bloomfield has been appointed an executive director of RUSSELL REYNOLDS ASSICIATES INC.

*

Mr Peter C. Timms has been appointed a director of MELVILLE TECHNOLOGY. He was managing director of Sigma, a Melville company.

*

WESTERN PROVIDENT ASSOCIATION, Bristol, has appointed **Mr Julian Stainton** as managing director, following the retirement of **Miss D. Vicker**.

*

Mr Ian Steel has been appointed operations director of BPCC PRINTEC. He was finance director. He succeeds **Mr John Welch**, who has been appointed sales director of BRITISH NEWSPAPER PRINTING CORPORATION.

*

Mr Timothy Burling has been appointed finance director and company secretary of SIMON CONTAINER MACHINERY, Stockport. He was financial director of Copal Casting.

*

SOUTHAMPTON ISLE OF WIGHT AND SOUTH OF ENGLAND ROYAL MAIL STEAM PACKET has appointed **Mr Michael A. Wilkinson** as chairman from January 1 in succession to **Mr Geoffrey A.H. Jones** who retires later next year.

*

Mr Derek Arnold, general manager of NEC BUSINESS SYSTEMS (EUROPE), telecommunications division, has become the first European to be appointed to the main board.

*

Mr Richard Beamiss has been elected non-executive chairman of MUNTON BROTHERS. **Mr Stuart Hollander**, who has been acting chairman since the resignation of **Mr Harford Robb**, will coninue as a non-executive director and deputy chairman. **Mr Jimmy Gluck** has joined the board as a non-executive director.

*

GULLICK DOBSON, mining equipment subsidiary of Dobson Park Industries, has appointed **Mr Brian Kennedy** as deputy managing director.

*

Mr Laurie Todd has been appointed finance director of CCA GALLERIES. He was finance director at UCCEL Software International.

*

Mr M.J. Bissell has been appointed financial director of the SHAND GROUP, succeeding **Mr J.A.B. Nichols**, who has retired. Mr Bissell was controller of the Egan machinery division of John Brown Inc.

*

Mr Gordon Main has been appointed a director of BENCHMARK FARM FINANCE and of Benchmark Leasing.

*

HANSON GUERNSEY, wholly-owned banking subsidiary of Hanson Trust, has appointed **Mr Stan Cleal** as Manager and a director. He succeeds **Mr John Whitehead**, a director, who has been appointed general manager.

*

Mr Michael J. Barnes has been appointed executive director of FUJI INTERNATIONAL FINANCE. In this new post he will be responsible for marketing the global asset management services of the portfolio management division, and will be involved in the formulation of investment policy and strategy. He previously managed the Eurobond and Government Agency portfolios of the World Bank, Washington D.C., and was an executive director of the Union Bank of Switzerland (Securities)

*

Mr Roger Baxter has been appointed chief logistics officer at BRITISH GAS headquarters. He will be responsible for all logistics matters to do with exploration.

*

GIBBS HARTLEY COOPER has appointed **Mr John Evans** as chairman and joint managing director of the North American division. He will continue as joint chairman of Hartley Cooper Associates. **Mr Chris Tucker** has been appointed director with special responsibility for UK business development. He was a development executive with Hogg Robinson.

*

GARTMORE PENSION FUND MANAGERS has appointed **Mr Roger Urwin** as business development director. He was an investment consultant with Mercer Fraser.

*

DALEPAK FOODS has appointed **Mr Christopher Ivery** as chief executive. Mr Ivory, who is managing director Pork Farms, a subsidiary of Northern Foods, will be joining Dalepak on January 4. **Mr Michael Hughes** will take over responsibility for research and development. **Mr Frank Carr** is to retire next year.

*

COATED ELECTRODES INTRNATIONAL has appointed **Mr Jeffrey T. McClure** to the main board. He is managing director of Sheffield Refractories, a wholly-owned subsidiary acquired last July.

CONTRACTS

£22m gas turbine orders

COOPER ROLLS, a company jointly owned by Rolls-Royce and Cooper Industries of the US has won a series of export contracts, valued at £22m, for gas turbine equipment from customers in Turkey, Malaysia and Dubai. All the equipment chosen is powered by Rolls-Royce industrial Avon or RB211 engines, designed at the company's Ansty factory, near Coventry. The three contracts all call for the supply of Rolls-Royce powered Coberra sets, driving Cooper Bessemer compressors, for the gas pumping projects both onshore and offshore.

*

DE LA RUE SYSTEMS has won orders from Spain, Brazil and the People's Republic of China, worth £3.75m.

The first of these orders is from the world's largest state-owned lottery, The Spanish National Lottery Organisation, ONLAE, which has ordered equipment to supply six coupon processing systems, software and additional services. A contract for an additional phase of the lottery's modernisation programme is expected later this year.

In Brazil, De La Rue Systems is to supply banknote sorting systems to Banco Central do Brasil. The first two systems are being delivered this month and there are plans to install 20 further systems over the next three years. In China, the company has won a single order for 1,000 banknote counting machines after two years of negotiations.

*

A £15.7m contract to extract 800,000 tons of coal at the Waverley East opencast site, Catcliffe, near Sheffield, has been awarded by British Coal to **LOMOUNT CONSTRUCTION**, a wholly-owned subsidiary of the Mowlem group.

The eight-year contract will involve moving 20.5m cu. metres of material and will create a hole at one stage 74 metres deep. The site will be reinstated progressively to leave the land fit for industrial use on completion. Lomount is to spend £5.25m on plant for the project, largely on hydraulic excavators and 95 tonne dump trucks.

*

The Municipality of Jonkoping, a city of over 100,000 people in southern Sweden, has placed an order with **ASEA STAL**, Finspong, for a heat pump plant for connection to the local district heating system. The order is worth around SKr 30m (£3m). The plant is to be ready for commercial operation in September, 1988, and will produce 20-25 MW of heat. This will be extracted from treated sewage effluent from the municipal sewage works and process water from the Munksjo pulp and papermill in Jonkoping.

DIARY DATES

Trade Fairs and Exhibitions:UK

Current
Camping and Outdoor Leisure Exhibition - COLA(08956 34191)(until November 10)
Exhibition Centre, Harrogate

November 10-12
Drives,Motors, Controls and PC+ Systems Exhibitions (0799 26699)
NEC, Birmingham

November 12-22
Scottish Motor Show (031-225 3643)
Exhibition Centre, Glasgow

November 17-20
The Complete Computer Systems Show - COMPEC '87 (01-891 5051)
Olympia

November 22-28
International Building and Construction Exhibition (01-486 1951)
NEC, Birmingham

December 1-3
International Trade and Services Exhibition and Conference - EXPORT (01-727 1929)
Business Design Centre,London

December 1-5
World Travel Market Exhibition (01-940 6065)
Olympia

December 3-6
Retirement Exhibition-RETIREMENT (01-387 7878)
The Barbican Centre

December 6-9
Telecommunications in the 90s Exhibition - TMA 20
Metropolitan Exhibition Hall,Brighton

December 7-10
Royal Smithfield Show & Agriculture . Machinery Exhibition (01-235 0315)
Earls Court

December 18-19
Cash and Carry Fashion Fair (01-727 1929)
Kensington Town Hall

Management and Business Conferences

November 9
CBI: HIGH STREET 2000 - a consortium conference looking at the future of high street retailing (01- 379 7400)
Centre Point, London WC1

November 10
Institute of Directors: Coping with growth - directing the expansion of your business (01-839 1233)
116 Pall Mall, London SW1

November 11-12
Financial Times Conferences/ NASDDAQ : The prospects for the ADR business (01-925 2323)
Hotel Inter-Continental, London W1

November 16-17
Financial Times: World electricity (01- 925 2323)
Hotel Inter-Continental, London W1

November 19
The Royal Institute of International Affairs/ American Chamber of Commerce (UK): Strategic export controls - Military security, corporate self-interest and commercial policy - Can conflicting goals be reconciled ? (01- 930 2233)
Chatham House,London SW1

November 20
Business Briefings: Business Expansion Scheme (01- 381 1284)
Glaziers Hall, London SE1

November 24
The Henley Centre: The UK economy - the next five years (01-353 9961)
Cavendish Conference Centre, London

November 24
The Institute of Taxation: Tax planning for individuals and trusts (01- 235 9381)
RAF Club, Piccadilly W1

November 26
Leasing Digest Conferences: Looking forward with hindsight (01-236 3288)
Grosvenor House Hotel, London W1

November 26-27
Central Computer and Telecommunications Agency, HM Treasury: European conference on the use of knowledge-based and expert systems in government (01-868 4466)
Gatwick Hilton Hotel

November 30
CBI Conferences; Materials requirements planning **December 1**
National Economic Development Office - Consumer Electroniucs EDC: Automating the home.......now and tomorrow (0273 722687)
Royal Garden Hotel, London

December 30
IBC: Recent developments in EEC competition law (01-236 4080)
London Press Centre,EC4

December 1-2
Financial Times: World Telecommunications (01- 925 2323)
Hotel Inter-Continental, London W1

December 1
Waters Information Services: Technology issues in 24-hour trading (NY 607- 772 8086)
Hotel Parker Meridien, New York City

December2
The Watt Committee on Energy: Renewable energy sources (01-379 6875)
The Royal Institution of Great Britain, London W1

December 3-4
Financial Times / British Venture Capital Association: Venture capital financial forum (01-925 2323)
Hotel Inter-Continental, W1

December 3-4
Institute of Directors: Fighting off the predators - or becoming one yourself (01-839 1233)
116, Pall Mall, London
Noga Hilton, Geneva

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no changes in the details published

Overseas

November 12-14
Brewer and Beverage Industries Trade Exhibition - BRAU (01-930 7251)
Nuremberg

November 16-20
International Electronic Components Exhibition - COMPOSANTS ELECTRONIQUES (01-225 5566)
Paris

November 17-21
Machine Tools Exhibition - FINNTEC (01-486 1951)
Helsinki

November 17-21
Furniture and Woodworking Machinery Show (01-379 0765)
Taipei

International Brussels Travel Fair-BTF (01-434 1825)
Brussels

December 3-6
World Print Exhibition and Congress-WPE (01-940 3777)
Hong Kong

WORLD ELECTRICITY CONFERENCE
LONDON, 16 & 17 NOVEMBER, 1987

Sir Philip Jones, Chairman of The Electricity Council, and Mrs Helga Steeg, Executive Director of the International Energy Agency are to chair one of the most important ever Financial Times energy conferences "World Electricity" in London on 16 and 17 November. France is powerfully represented by M. Pierre Delaporte and M. William Varoquaux of Electricite de France. Mr Donald Miller, Chairman of the South of Scotland Electricity Board, and Dr I C Bupp of the Cambridge Energy Research Associates (USA) are among the other major contibutors. Mr Christopher Johnson, Head of Economics at Llyods Bank, and a distinguished analyst of the energy scene, will be speaking on Britain's privatisation plans, as well as Mr Andrew Warren, Director of the Association for the Conservation of Energy.

WORLD TELECOMMUNICATIONS
LONDON, 1 & 2 DECEMBER, 1987

Lord Young will give the opening address to the Financial Times eighth World Telecommunications conference. M. Gerard Longuet, French Telecommunications Minister will speak on future telecommunications policy in France. The changing pattern of competion in global markets will be reviewed by Mr James Olson, chairman of the Board, A T & T, Mr William Weiss, Chairman & Chief Executive Officer, Ameritech and Mr Iain Vallance, Chairman, British Telecommunications. Professor Eberhard Witte will speak on German Telecommunications strategy, and Sir Eric Sharp will review the problems and prospects for global networks.

VENTURE CAPITAL FINANCIAL FORUM
London, 3 & 4 December, 1987

This will be the fifth in the highly successful series of Venture Capital Financial Forums arranged by the Financial Times and the British Venture Capital Association. The event provides a unique opportunity for investment managers and senior executives from financial institutions and industrial companies to meet some of the leading venture capital backed companies in Britain - all of which will either be raising additional venture capital funding or seeking a public quotation, be it on the USM, the third market, or by way of a full stock market listing, in the forseeable future. The Forum is also for those raising equity for the first time.

All enquires should be addressed to:
The Financial Times Conference Organisation, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 01-925 2323 (24 -hour answering services)
Telex: 27347 FT CONF G Fax: 01-925 2125

FINANCE

TODAY
COMPANY MEETINGS
Close Brothers Group Vintners Hall, 68 Upper Thames Street. E.C., 12 15
Ferry Pickering Group, Allen House, Newarke Street, Leicester. 12.00
Green (E.) & Partners, Binns Cornwall, 36 St. Andrews Hill, E.C., 11.00
BOARD MEETINGS-
Finals;
Amer Group
Bailey (C.H.)
Blenheim Exhibitions
Entertainment Production Services
UDO Holdings
Interims;
Futura
Hartwells
Stoddard
Stratton Inv. Trust
Welpac
DIVIDEND & INTEREST PAYMENTS-
Abaco Investments 3p
British & American Film Holdings 2.125p
Enterprise Oil 4p
Halls Homes & Gardens 1.2p
Harvey & Thompson 6p
Hepworth Ceramic Holdings 3.6p
International Bank For Rec. & Dev. 11.5% Ln. 2003 5.75pc
Lowe Howard-Spink & Bell 3.4p
Morrison (Wm.) Supermarkets 0.6p
Moss Bros 2.3p
North British Can. Inv. 2.5p
Ransomes Sims & Jefferies 2p
Ratners Group 1.25p
Shires Investment 3.15p
Standard Chartered Und. Prim. Cap. FRN (Ser. 2) $403.65
Steetley 3.25p
Travis & Arnold 1.29p

TOMORROW
COMPANY MEETINGS-
Mucklow (A & J), Chamber Of Commerce, Edgbaston, Birmingham. 12.00
Sinclair (Wm.) Holdings, Firth Road, Lincoln, 11.00
BOARD MEETINGS-
Finals;
Bibby (J.)
Drayton Consolidated Trust
Moran Tea
Interims;
Cater Allen
De La Rue
English & International Trust
GEI International
GT Management
Infrared Associates
Sainsbury (J.)
DIVIDEND & INTEREST PAYMENTS-
Addison Consultancy Group 0.9p
American Express 19cts.
Citicorp 33.75cts.
Close Brothers Group 2.9p
Exchequer 10½% 1988 5.25pc
Gotaas-Larsen Shipping Corp. 12cts.
Manders (Hldgs.) 3.2p
Sun Life Assurance Society 11 44p
Tarmac 2p

WEDNESDAY NOVEMBER 11
COMPANY MEETINGS-
Adwest Group, Intercontinental Hotel, W., 12 00
Isotron, Howard Hotel, Temple Place, Strand, W C., 12.00
Scholes (G.H.), Four Seasons Hotel, Hale Road, Hale Barns, Altrincham, Cheshire, 12.00
BOARD MEETINGS-
Finals;
Klark-Teknik
Wade Potteries
Williamson Tea
Interims;
Blacks Leisure
British Airways
Ellis & Goldstein
Equity Consort Inv. Tst.
External Investment Tst.
Great Portland Estates
Hazlewood Foods
Land Securities
Lilley (F.J.C.)
Regalian Properties
DIVIDEND & INTEREST PAYMENTS-
Alliance Trust 4½% Deb Red. after 15/5/56 2¼pc
Bemrose Corp. 3.5p
China & Eastern Investment 4.8cts.
Christies International 3p
Eagle Trust 0.1p
Edinburgh American Assets 5% Red. Deb. 1955 2½pc
Forth Ports Authority 3¾% Fd. Dbt. 1.875pc
GKN 5.5p
Gates Rubber 4¼% Red. Deb. 2⅛pc
Glasgow Corp. 3½% Ird. 1 875pc
Do. Gas 6¾% Ann. 3.375pc
Do. 9% Ann. 4.5pc
Do. Waterworks Funded Dbt. 4% 2pc
Do. 3½% 1.75pc
Hamlyn Milling 5% Deb. 57/87 2.5pc
Hardys & Hansons Ird. 4% 1st Mtg. Deb. 2pc
Investors Capital Trust 4% Deb. Red. 2pc
LDH Group 0.66p
Laidlaw Thomson Group 1.54p
Logica 1.2p
Midland Bank Sub. Fltg. Rate. Nts. 2001 £130.44
Nat. West. Bank Prm. Cap. FRN's(Ser B) $383.33
P & O 9p
Scottish Eastern Inv. Trust 4% Deb. 2pc
Do. 4% Deb. (Red.) 2pc
Scottish Mortgage & Trust 4½% Ird. Deb. 2¼pc
Second Alliance Trust 4½% Deb. 1956 2¼pc
Securities Trust of Scotland 7% Deb. 88/93 3½pc
Sommerville (Wm.) & Son 2.1p
United Wire Group 5% Prf. 1.75p

THURSDAY NOVEMBER 12
COMPANY MEETINGS-
Armour Trust, 24, Upper Brook Street, W., 11.00
Attwoods, The Pickeridge, Stoke Common Road, Fulmer, Buckinghamshire, 12.00
Cray Electronics Holdings, 116 Pall Mall, S.W., 12.00
Goodwin, Alvaston Hall Hotel, Nantwich, Alvaston Cheshire, 3.00
Pineapple Group, Pineapple West, 60 Paddington Street, W., 10.00
BOARD MEETINGS-
Finals;
BOC Group
Bellway
Gleeson (M.J.)
North Atlantic
Wellcome
Interims;
Apricot Computers
Bank of Ireland
Oxford Instruments
Smallshaw (R.) Knitwear
Staveley Industries
Thames Television
Tie Rack
Yale & Valor
DIVIDEND & INTEREST PAYMENTS-
BETEC 0.75p
Chase Manhattan Corp. Flg. Rate. Sub. Nts. $182.08
Courtney, Pope (Hldgs.) 3.75p
First Chicago Corp. Feb. 1997 $187.29
Leumi International Inv. N.V. Gtd. Flg. Rate Nts. "C" 1987 $39.88
Marsh & McLennan 6cts
Merivale Moore 3p
SPP 1.75p
Sinclair Goldsmith Hldgs. 0 75p
T & N 2.75p
Wells Fargo Flg. Rate Sub. Cap. Nts. 1998 $185.98
Wolstenholme Rink 4p
Worcester Group 3.3p

FRIDAY NOVEMBER 13
COMPANY MEETINGS-
Castel, Portland Hotel, Manchester, 12.30
Meat Trade Suppliers, Metal House 62-68 St. John Street, E.C., 12.00
BOARD MEETINGS-
Finals;
Barton Transport
Parkway Group
Interims;
Aberfoyle
CASE Group
Sonic
DIVIDEND & INTEREST PAYMENTS-
Amari 3.1p
Atlantic Computers 1.5p
Automated Security (Hldgs.) 0.8p
BBA Group 1.2p
Bankers Trust Int'l Capital Gtd. Flg. Rate Sub. Nts 1996 $182.08
Bellwinch 1p
Benzalis 0.5p
Blackwood Hodge 0 55p
Bosse Massimi Pollitt 2.25p
Brooks Service Group 1.4p
Brunswick Corp. 7.5cts.
Cliffords Dairies 3.3p
Do. A Non.V. 3.3p
Derwent Valley Hldgs. 0.75p
Folkes Group 0.35p
Goodwin 0.4p
Interfirst Texas Finance Flg. Rate Nts. May 1989 $182.08
International Business Comm. 1p
Isotron 1.2p
Keep Trust 3p
Ladbroke Group 6.05p
Primadona 0.75p
Royal Insurance 8.25p
Royal Trust Dollar Income Fund Ptg. Red. Prf. 2.5cts.
Scholes (G.H.) 9.5p
Scottish American Inv. 4% Ird. Deb. 2pc
Sime Darby Berhad 8sen.
Treasury 3% 1991 1.5pc
Wankie Colliery 5cts
Wells Fargo Flg. Rate Sub. Nts. Feb. 1997 $182 08
Westpool Investment Trust 1.35p

SUNDAY NOVEMBER 15
DIVIDEND & INTEREST PAYMENTS-
Agricultural Mortgage Corp. 9¾% Deb. 85/87 4.875pc
Barclays Bank 8¼% Uns. Cap. Ln. 86/93 4.125pc
Do. 16% Uns. Cap. Ln. 2002/07 8pc
Beattie (James) 6¾% 1st Mtg. Deb. 86/90 3.375pc
Birmingham District Council 11½% Red. 2012 5 75pc
British Sidac 85/90 3pc
Burndene Inv. 15% Uns. Ln. 2007/12 7.5pc
Chase Manhattan Corp. 54cts
Conversion 10% 1996 5pc
Do. 9¾% 2006 4.875pc
Exchequer 10¼% Cnv. 1989 5.125pc
Do. 13¼% Ln. 1996 6.625pc
F & C. Alliance Inv. 6% Prf. 2.1p
Hambros Inv. Trust 5% Prf. 1.75p
Inter-American Development Bank 9¾% Ln. 2015 4.875pc
Standard Life Assurance 5% 2.5pc
Treasury 3% 1989 1.5pc
Do. 12¾% Ln. 1995 6.375pc

Parliament

TODAY

Commons: Licensing Bill, second reading. Debate on Common Market documents relating to free food scheme.

Lords: Debate on the EEC committee report on Financing the Community. Question on government response to the 1985 report of the select committee on overseas trade.

Select committee: Public Accounts - subject: incorrect payments of social security benefits. Witnesses: Mr C W France, Health and Social Security Department; Sir Michael Quinlan, Employment Department (Room 16, 4.45 pm).

TOMORROW

Commons: Debate on the second report of the Commons Services Committee for the session 1984-85. Opposed private business after 7pm.

Lords: Aberdeen Harbour Order Confirmation Bill, third reading. Merchant Shipping Bill, second reading. Motion on the Maximum Number of Judges Order 1987 and the Pharmaceutical Qualifications (EEC recognition) Order 1987. Question on government action to prevent excessive damages being awarded against the medical profession.

Select committees: Dartford-Thurrock Crossing Bill (Room 5, 10.30 am). Parliamentary Commissioner for Administration - reports from the Commissioner. Witnesses: Mr Anthony Barrowclough and Mr Gordon Marsh.

WEDNESDAY

Commons: Debate on Opposition motion 'The failure of the Government to provide adequately for the transport needs of the nation.' Later debate on the purchase and sale of BP shares.

Lords: Short debate on developments in complementary medicine and its relationship to conventional treatment. Debate on the preparation and drafting of parliamentary legislation. Question on support and funding into research covering alternatives to the use of animals in laboratories.

Select committee: Dartford-Thurrock Crossing Bill (Room 5, 10.30 am).

THURSDAY

Commons: Consolidated Fund Bill. Debates on social security orders and regulations.

Lords: Income and Corporation Taxes Bill, second reading. Copywright, Designs and Patents Bill, second reading. Civil Evidence (Scotland) Bill, second reading. Motion on education support grants regulations, 1987.

Select committee: Dartford-Thurrock Crossing Bill (Room 5, 10.30 am).

FRIDAY

Commons: Private Members Motions.

FINANCIAL TIMES SURVEY

More than 2,500 companies are now involved in business sponsorship. The arts, sports and charities are all beneficiaries. Some practices, however, are giving the business a bad name - attempts are being made to stamp these out. Report by **Feona McEwan**

Marriage of convenience

AFTER AN initiation period languishing in the shallows of mainstream promotional activity, sponsorship is now established to a degree that was unthinkable six years ago.

It is estimated that some £200m will be spent across the whole sponsorship spectrum, from sports and arts to the environment and charities, breaking all previous records, according to Mintel, the market research organisation.

More than 2,500 companies are said to be involved now in sponsoring activities, from town festivals to team sports, solo artists, to up-and-coming racing drivers, at local, national and international levels.

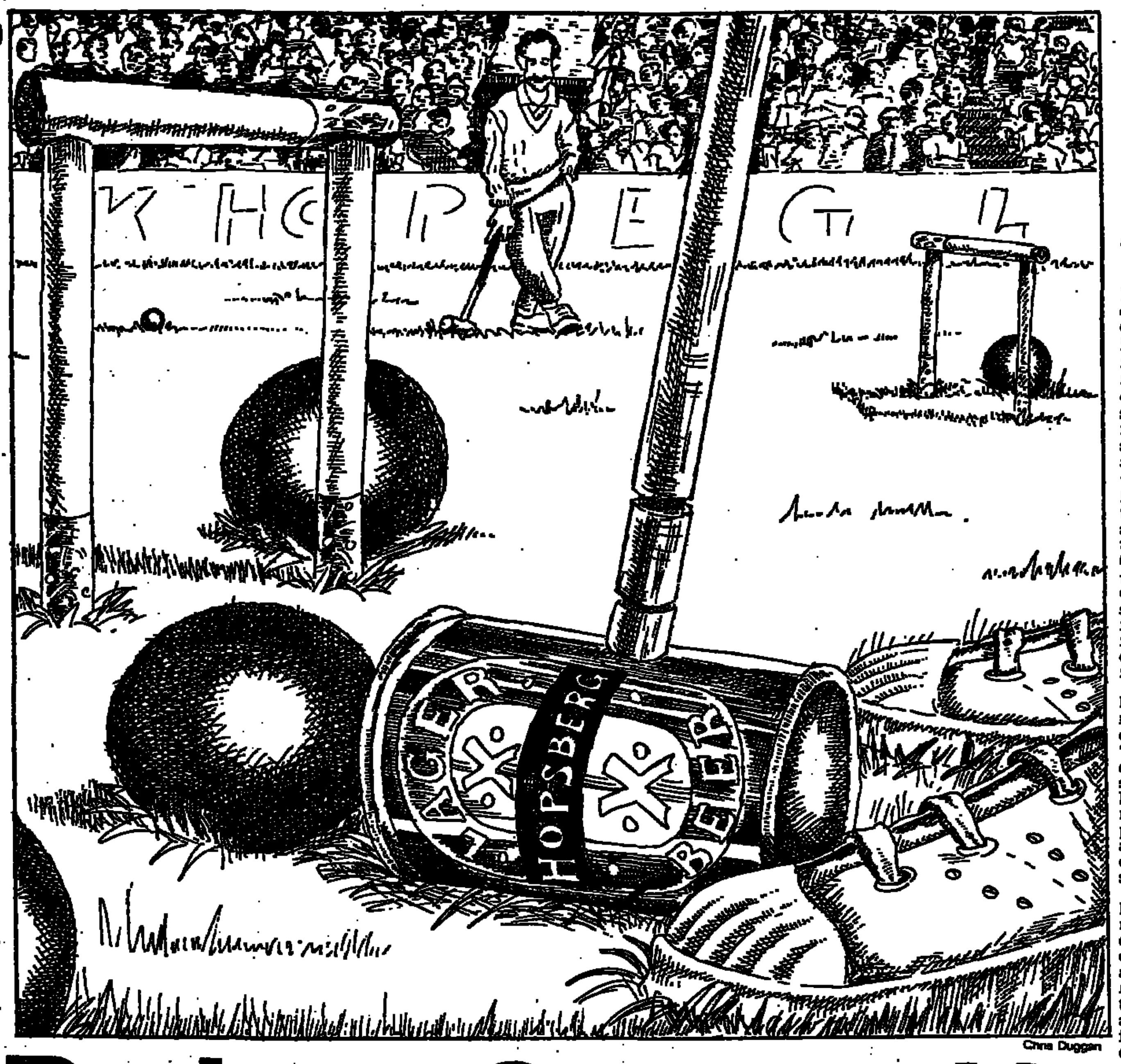
Another indicator of industry health is the multiplication of specialist sponsorship consultants. These have grown in recent years to more than 100 organisations ranging from 40-strong companies to 2-man bands, which perform the marriage-broking function between the sponsored and the sponsor. Advertising agencies, too, ever on the lookout for new profit centres, are increasingly casting eyes in the direction of sponsorship agencies - a sure sign of an industry on the rise.

Sponsorship has also proved it can be good for export. The sponsored Royal Shakespeare Company, for instance, won the Queen's Award for Industry last year.

It is perhaps a measure of the growing interest in the subject that this year witnesses the first national sponsorship exhibition, Business Sponsorship Link, which takes place on November 10 and 11 at Queen Elizabeth II Conference Centre, Westminster in London. With more than 100 exhibitors, the show aims to focus on every facet of the sponsorship scene likely to appeal to sponsor-seekers and sponsors alike.

As befits the immature industry that it still is, sponsorship is a business that is increasingly self-critical. One sign is the establishment last year of the Institute of Sports Sponsorship - sports takes the biggest slice of the sponsorship cake, accounting for about 75 per cent of total revenues - which publicises the achievements of sponsorships and represents the voice of sponsors.

The ISS functions much like the Association for Business Sponsorship of the Arts, which encourages sponsors in the arts world by moving to improve conditions, terms and understanding of the industry and stamp out practices that give the business a bad name.



Chris Duggan

Business Sponsorship

One thing the ISS is unhappy about is the practice among some consultants of divided interests. Frequently it says agencies are retained by both parties, the sponsor and the sport, which in unscrupulous hands, can be hazardous.

Peter Lawson, general secretary of the Association, recounts a true incident: "About three years ago the chairman of a major British company met the chairman of a fairly important sport. The sporting chairman said how very nice it was to meet *such a staunch supporter*. What we'd do without your £30,000 I don't know, he declared. What do you mean £30,000, came the reply, we put in £100,000." It is these practices the Institute aims to eradicate.

The ISS is also looking to establish a code of practice. "We hope by persuasion and agreement to draw up an agreed code of practice, stipulating levels of fees, and so on, thus instilling a level of confidence and integrity among the operators," says a spokesman. These, and other pertinent issues, are to be raised at a national seminar organised *by the ISS on November 18 at* which all sides of the sponsorship equation will be represented.

Another area under debate will be taxation. The current regulations are under fire from a number of aggrieved companies. Mr Lawson amplifies: "If you want to sponsor the arts, it's easy, he says. They are viewed as a charity with the facility to use covenants and other tax arrangements, unlike sports. We believe sport is sponsoring the art of the masses (compared with arts which is of the minority) and this should be reflected in the *taxes*."

It is a bone of contention that the Inland Revenue demands that 27 per cent of fees or prize money of any foreign entertainer or sportsman be deducted at source by the organisers.

Why then do sponsors sponsor? In his basic guide to the subject, Practical Sponsorship, (published by Kogan Page, £14.95) author and consultant Stuart Turner outlines the rudiments. Today's clutter of media and fragmentation means that the struggle for a company to be heard gets harder. Sponsorship is one way to break through the *cacophony and reach consumers* in their leisure hours.

CONTENTS

So what can sponsorship do? Mr Turner outlines some of the options:

- It can rejuvenate a corporate image, make it appear more dynamic. Sponsorship, he says, influences an image by borrowing qualities from the activity being sponsored. Showjumping is upmarket and prestigious. Motor sport, international and exciting, and so on. Hence, companies with a cold image might benefit from sponsoring a cosy gentle activity. Look at the oil companies and their support of the arts in this context.
- It paves the way for new product launches into new markets.
- For companies under attack, sponsorship can help provide defence and, on a less savoury note, it may offer ways of promoting certain products that cannot be advertised.

The Confederation of British Industry has also thrown its muscle behind the sponsorship debate. "Increasingly," it says, "large and small companies are coming to realise that they can strengthen their reputations, enhance their community standing, reach their target audience, support their marketing objective and even motivate their employees, through the use of skilled sponsorship."

Benefits a sponsor can gain, as Mr Turner points out, include: media exposure; employee interest; name exposure at events; company names on participants and supporters clothing; company name incorporated on the title of the event; special ticket allocations for the company and its guests; and opportunities for entertaining people at events sponsored. Business and pleasure, as companies are increasingly discovering, can be mixed profitably.

But the commercial connection is obviously only one half of the equation. What about the sponsored - the sporting bodies, teams, personalities, the arts, the environment, music, and any other form of activity to which companies are keen to hitch their wagon in pursuit of commercial gain? They, like the business community, are said to be burying their suspicions and growing to appreciate that sponsorship, well handled, can be a mutually rewarding exercise.

When it comes to media exposure, which is still the main benchmark of many a sponsorship package, television remains critical. However, the attitude of the networks varies, say the *sponsors, from programme to* programme. Two stories amplify this. Harveys Leeds Piano competition found it was not credited fully in the Radio Times from which most newspapers took their cue. Out of 400 press mentions Harveys noted that less than 10 per cent used the full title.

Similarly with The Age of Chivalry exhibition sponsored by Lloyds at the Royal Academy. Local newspapers mentioned the sponsor but not so the national press. Lloyds was consequently less than pleased after investing around £400,000.

Increasingly, sponsors are using events more for hospitality than for the publicity factor, according to Ros Elliot of upmarket hospitality organisers, PJ Promotional Services. She cites the example of James Capel, the stockbroking firm, which this year backed the Admiral's Cup team at Cowes Week. "It was ideal," she says "because the whole of the City of London congregates in Cowes then."

As a general rule of thumb, the average cost of hospitality at top level is roughly £160 per head, including ticketing, catering, car-parks, and staffing.

Among the most sought-after events for entertaining, says Ms Elliot, are arts events that are prestigious, classical and preferably from overseas.

As for the future, one of the most sensitive issues is programme sponsorship. Independent Broadcasting Authority rules restrict the way companies can influence the making of programmes. However, with the growth of satellite television and the increasing pressure on inde*pendent production companies* to produce programmes for television and find the finance so to do, the possibility of companies having a hand in the making of programmes is likely to increase. An IBA working party is currently examining whether the current rules need revision.

"There is no doubt," says Roger Neill, director of client services at advertising agency Lintas International, "that new private broadcast channels, commercialism and fragmentation of media, especially in Europe, have provided foundations for the growth of programme sponsorship". The spur has been the tremendous acceleration in the demand for television programming material throughout the world over the next five years which, he says, will bring outstanding opportu*nities for advertisers to become* directly involved.

The mutual rewards of working in harness have become clearer over the past 10 years, reports **Feona McEwan**

Sport and business both driven by the urge to win

SPORT AND business are something of an odd couple. Each side is drawn to the other but at times neither really understands what makes the other tick - a familiar syndrome in many a successful marriage.

One trait they do share, however, and this is what underwrites sports sponsorship, is the desire to win. Whether on the pitch, the court, the green, the track, the pool or the ring, the sporting world is driven by the urge to win just as the business community craves commercial victory.

In the past 10 years, these unlikely bedfellows have grown closer as the mutual rewards of working in harness have become more understood. Put at its simplest, sporting bodies gain sorely-needed funds to fuel (and in many cases guarantee) their existence, while companies gain the ear of those they seek to influence, whether it be customers or dealers, shareholders or employees.

The last six years, in particular, in the UK has witnessed an upsurge of interest in this branch of the promotional tree. *More than 2,000 companies now* part with their money in the name of sport.

In 1980, according to a report from Mintel, the market research company, expenditure on sports sponsorship was put at £30m*. This has multiplied fivefold to over £140m last year, and this year's figures are expected to top that. Mintel estimates another 45 per cent is spent by companies backing their investment, bringing the total to over £200m.

But it was not ever thus. Before sports sponsorship took off in the mid 1970s, companies were extremely blinkered in their view of what they regarded as a fringe area of marketing activity.

Industry observers remember the time when Colin Chapman, then head of Lotus, the high performance car manufacturer, blitzed 1,000 companies with a request for sponsorship, and only one troubled to reply. He was Geoffrey Kent, marketing director of John Player.

The offspring of the liaison was the F1 racing team known as Gold Leaf Team Lotus which, with driver Graham Hill at the helm, scooped the world title. Sports sponsorship had arrived.

Before that time, the only true evidence of sport and business in tandem was the occasional horse-race backed by companies like Mackeson or Whitbread.

These days motor sport still takes the lion's share of the booty, around one third of all sports sponsorship, followed by football, horse racing, athletics, cricket, golf, tennis, snooker (in that order). *These are now the* most sought-after honeypots for sponsors.

One of the first rules of successful sports sponsorship - defined as the support of sport, sports events, sports organisations or competitions by an outside body or person for the mutual benefit of both parties - is to start out with defined objectives. In this way it is just like every other marketing exercise.

"Companies who've failed are those who've gone in for no clear-cut marketing reasons and with no set ways of evaluating the exercise," says Karen Earl, the consultant who put Cornhill insurance into the Cornhill Test cricket series. Incidentally, since the company launched into sponsorship more than eight years ago, the awareness of its *name among the public has* mushroomed from 2 per cent to 22 per cent.

To function best, it must be regarded as part of the marketing mix to work in harmony with say, the advertising, public relations or sales promotions programme. Consultants who spend their days advising companies how to make their sponsorships work, are quick to point out the uselessness of paying out the cheque and waiting for things to happen.

Nor do things happen overnight. Like corporate advertising, sports sponsorship operates on slowburn and results are not always calculable on a computer. "At the end of the day it's a question of gut feel," says Karen Earl, "about whether a sponsorship is right for a client or not."

Being soft-sell, based on the indirect message rather than the force-fed message, sponsorship demands long-term strategic thinking rather than short-term tactical solutions.

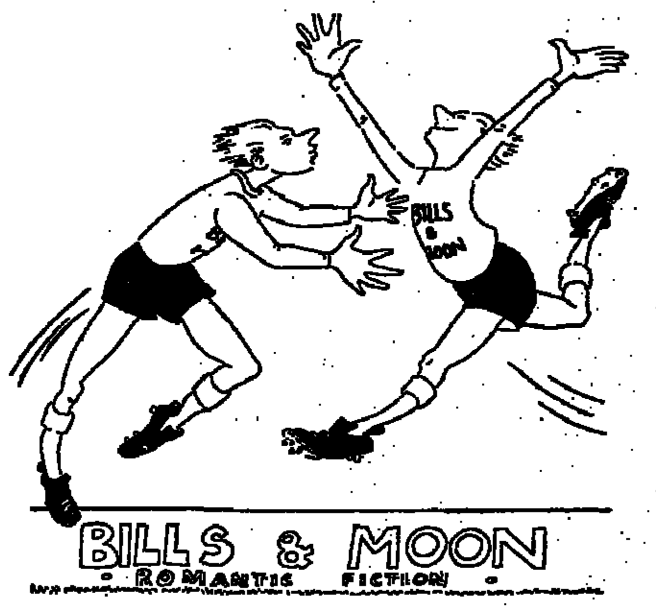
While there are no hard and fast rules, most specialists recommend three years, on average. "A one-off is fairly *meaningless*," says Des Mainwaring, new business director of Alan Pascoe Associates, consultants to the Amateur Athletics, Ice Skating and Swimming Associations. It takes one year to get into it, another to reap the benefits, and the third to exploit it.

Too long a sponsorship also has its dangers. When Gillette sponsored the Gillette Cup cricket series over a *number* of years, it is said to have run into problems since people eventually stopped making the connection between razors blades and the company name.

On the question of budgets, as a rule of thumb, £¼m a year is said to be the basic needed for an effective working annual sports sponsorship.

But it is one thing wanting sponsorship, and another *getting* it. In established sports, sponsors tend to be lined up well in advance. When vacancies appear - as they do when a sponsor has met his objectives, say, or run out of finance - they are snapped up fast.

After Liverpool Victoria Insurance, for instance, set its sights on bowls, a sport newly-discovered by television, it had to wait six months for the chance. When the opening came, the company signed within the week. Little wonder, then, that when Today newspaper pulled out of the Football League in unseemly haste after just one of its three-year commitment, a choice of sponsors emerged from nowhere.



Barclays, the major clearing bank with more branches in the UK than there are *football* clubs, clinched the deal, worth £5m over three years, less than a fortnight later.

Explaining why, chairman *John Quinton said: "It offers* more matches during a longer season than any other sports event in the UK. It has 14 live televised matches and offers enormous scope for our local branches and branch staff to become involved." It is estimated that 40 per cent of the League's clubs bank with Barclays.

The Barclays deal underlines, too, the growing interest from financial services in sponsorship, ever since Big Bang opened up the financial sector to cut-throat competition. "This sector accounts for about 80 per cent of the growth in the last 12 months," says Steve Herrick, managing director of CSS Promotions, the multinational consultants, which handle the F1 Canon Williams Honda motor racing team and World Series Snooker, among others.

Notwithstanding the state of the stock market, Mr Herrick believes the trend will continue, if perhaps slowed down. "In many ways, the financial services have taken to sponsorship faster than to conventional advertising or below-the-line activity," he says.

So who else sponsors events? Apart, that is, from staple sectors such as alcohol and tobacco companies (which have used sponsorship to circumvent television advertising rules). The answer is that there are few company sectors left that do not.

Mintel discovered that out of 41 sponsoring companies in 1986, 37 per cent had a turnover of £1bn or more, 34 per cent under £100m, with an even distribution in between.

Tobacco sponsorship remains under increasing threat after the Sports Council announced last year its intention to phase out all sports sponsorship by tobacco companies on radio and television over a two year period. However, with a new sports minister in charge who has less rigid views on the subject, this might prove harder to achieve than they think.

As more companies jump on the *sponsorship* bandwagon - whether to boost company image, create leads or cultivate client goodwill through business entertainment - the problem is to find the right sport. "Everyone wants to discover the next snooker or bowls," says Mr Herrick speaking of two of the most popular television sports. With their cliff-hanging potential and low cost of production, they have become perfect *armchair* sports.

Which sports are next for fuller exposure? Sports waiting in the wings include American football, baseball and croquet say the specialists, though one influential factor is the interest television takes. Channel 4 has done much already to boost popularity of lesser-known sports. It remains to be seen whether satellite stations will quicken the process. Another sport ripe for further exposure, according to Mintel research into consumer preferences, is athletics.

One solution to the search for appropriate sponsorship, says CSS, is to stage-manage events and add an element of show business. Coloroll, the home furnishings combine, has been backing the Red Devils, the Parachute Regiment free-fall team, since 1984. There has been a series of displays, to mark store openings for instance, which are as much showbusiness as sport.

When it comes to understanding how sponsorship can work for a company, the Japanese have shown they known a thing or two. Companies like Ricoh, *Canon and* JVC have used promotion of the company name through sponsorship to pave the way for product launches in new markets. Unlike many American companies which are well versed in sports sponsorship, Japanese corporate names are, in these cases, identical to the product. Canon, for instance, established its name in the UK by sponsoring the Football League, which took it into every football town in the country. Then, once the name was familiar, it launched its products.

One golden rule that companies sometimes forget is the need to market and promote their own sponsorship involvement. It is no use handing over the cheque as if into a bank deposit, and then waiting for the dividends. *The best sponsorships* are those most worked at. For every £1 put in, say the specialists, a sponsor must back it with another.

The National Dairy Council, organisers of the Milk Race, (which is Britain's answer to the Tour de France) understands this. Promotions are run jointly with schools, local education authorities, council sports and leisure departments, to coincide with the race passing through each town. This, together with live TV coverage, enables closer links to be forged between local dairies and other bodies that are influential as customers and as opinion formers in matters of nutrition and health education.

Literature was also distributed in schools on nutrition and sport, on cycling and health, linking exercise, fitness and health to other product marketing activities. The co-ordinated programme nation-wide thus made full use of the budget of £750,000.

* *Sponsorship, from Mintel Publications, 7 Arundel Street, London WC2R 3DR. £450*

Television

Clearer picture still needed

IF YOU look very closely indeed this Christmas during the Thames Television broadcast of the Jonathan Miller production of The Mikado you will see the name of the Clerical Medical Assurance Company. But it will not be exactly obvious.

At the beginning of the costly programme there will be a reference to the fact that it has been made "in association" with Clerical Medical, Britain's fifteenth largest insurance company with £3.5bn in funds under management. At the end of the programme there will be a similar on-screen credit.

The affair of the sponsorship of The Mikado is pretty much a first for Thames and for Clerical Medical, which has been trying to increase public awareness of its name. It is a telling example of where the limits of sponsorship lie under current broadcasting regulation and legislation.

To begin with, Clerical Medical was very pleased indeed to put a "substantial" amount of money from its £2m advertising budget into such a high-profile production. The programme was to have been called the Clerical *Medical Gala Evening Presents* The Mikado and, as a result, Mr Andrew Harrison, the company's marketing manager, expected the company name to be carried in TV Times and in the television programme schedules in the national newspapers.

Then on the day of the recording the blow fell. The Independent Broadcasting Authority decided it was "not acceptable" to *have the name Clerical Medical* in the programme title and Mr Harrison had to decide whether or not to pull out entirely.

With the guests almost on their way Mr Harrison decided to go ahead but the financial deal was renegotiated and the insurance company is now paying Thames a rather small sum of money for the reduced exposure. "Quite frankly its not very valuable. *We* would not be interested again on this basis," Mr Harrison said.

Mr Tim Brady, who was given the task at Thames Television of raising sponsorship money, is not downhearted by the experience but regards it as part of an inevitable learning process in a difficult area. "Programme makers absolutely believe that sponsorship has to be part of the future financing of programmes," Mr Brady argues.

There is undoubtedly growing interest in sponsorship of programmes on the part of both broadcasters and commercial organisations, although opinion is divided on just how much money could be realised by such a mechanism.

Last year the Peacock Committee into the future financing of *British broadcasting pointed out* that, even in the US, money raised from television sponsorship was small and gave little weight to sponsorship as a way of funding British broadcasting.

Mr Kenneth Miles director of the Incorporated Society of British Advertisers, the body representing companies which advertise on television, believes sponsorship has an important future role but careful preparations have to be made. All three parties to the bargain - the broadcaster, the sponsoring company and the viewer - have to gain something as a result.

"Sponsorship is not something to be afraid of, it is something to welcome provided it can be kept in reasonable balance," Mr Miles said.

The IBA has recently set up a working party under the chairmanship of Claire Mulholland, its deputy director of television, to review the present rules on sponsorship. The working party is due to report in the new year. At the moment, the possibility of accepting sponsorship money is limited to factual portrayals of "doings, happenings, places or things" - a definition that includes documentaries but not news. There must also be no direct link between the business of the sponsor and the subject matter of the programme.

Mr Michael Checkland, the director general of the BBC, has also recently made it clear he would like to be able to use sponsorship money, particularly as "seed money" for independent producers. The Government has made it clear it wants independents to have access to 25 per cent of Britain's four national television channels.

Mr Checkland is talking with the Home Office to try to clarify what is and what is not possible under the BBC Charter. "I believe we should at least be able to give sponsorship credits *for* relays of opera from Covent Garden or the Open College," Mr Checkland argues. At the moment the BBC cannot apparently carry a sponsor's credit on an Open College education programme.

A further indication that sponsorship on television is becoming a live issue came last Tuesday when the BBC and the ITV companies held a joint seminar which looked at the whole field. The seminar had partly been prompted by growing BBC concern about "product placement" - the deliberate placing of branded products such as beer in visually prominent positions in American detective series .

As broadcasters and potential sponsors move to try to define what is acceptable in terms of sponsorship or co-funding of programmes, the ground rules on coverage of sponsored events *such as sports fixtures have been* considerably clarified.

The European Broadcasting Union has a model contract covering advertising at televised football matches. It specifies, for example, that perimeter advertisements should be the normal advertisements that are always there and likely to have been there from the start of the season.

But the BBC has in recent months been tightening up on its portrayal of cigarette smoking during sponsored snooker competitions. Now, when a player lights up a cigarette between shots, the picture is not shown - even at the risk of having to broadcast irrelevant shots of his legs or the audience instead.

Raymond Snoddy

Sport in action

Sponsors are on the ball

CROWN PAINTS versus NEC hardly sounds an attractive soccer fixture. But Anfield stadium was jam-packed when Liverpool (Crown Paints) and Everton (NEC) clashed in the third round of the Littlewoods Cup on October 28.

Soccer sponsorship has come far since the early 1970s when Texaco and Watney Mann led the way with custom-built knockout tournaments. Now sponsors prefer to link their name to an existing competition. The Milk Marketing Board and Canon successfully hijacked the League Cup and Football League respectively. Both achieved high profile coverage, with journalists and broadcasters using their names with abandon.

The downside, however, is that both bowed out at the end of their contracts in the wake of the Heysel Stadium disaster in *Brussels and the fire at* Bradford's Valley Parade two years ago. Today stepped into Canon's shoes, but this proved a disaster. The liaison between the newspaper and the League lasted only a matter of months, doomed to failure by the reluctance of other papers to promote a rival.

For the moment, the future looks bright. The panic engendered by the sudden withdrawal of Today's sponsorship after the News International takeover, gave way to glee as Barclays Bank rode to the rescue. The gradual emergence of the game from the shadow of the thug seems to be continuing. But to protect its own image, Barclays has a get-out clause if the hooligans drag English soccer back into the gutter.

In the League Cup, Littlewoods quickly picked up the baton dropped by the Milkmen. A surprising, if limited, success has been the Freight Rover Trophy for teams in the lower reaches of the League. Freight Rover has professed itself pleased with exposure received, while clubs involved have an extra chance to play for a coveted Wembley cup final place, in front of a large crowd. However, attendances in the preceding rounds have been *lamentable. Lowest turnout in* the 1985/86 competition was just 150, for Halifax v Lincoln.

Shirt advertising has proved highly attractive. There is hardly a team in the land which does not carry a company or product name, or even a slogan. But this could prove less lucrative for League clubs in future. Soccer, in edited highlight form, is not the audience puller it was and has all but disappeared from our television screens. Only the attractive big name teams, like Liverpool, Manchester United and Tottenham are guaranteed the TV exposure sponsors covet.

Crown Paints must be well pleased with their investment. Liverpool have won every competition going in the last few years, and look set for renewed dominance of domestic football with their *expensively* rebuilt side. Not all tie-ups have been totally successful, however. Southampton Town blushed when Air Florida went into a tailspin. And in the light of recent events, Queen's Park Rangers must be breathing sighs of relief that they are no longer involved with Guinness.

One low-key sponsorship is General Motors' patronage of the FA's school of excellence. Much

White Crusader, the British yacht in this year's Americas Cup in Western Australia escorted by her tender, the James Capel, sponsored by James Capel stockbrokers

criticised in its early days, many early graduates are being signed up by senior clubs.

Athletics is a prime example of how sport and industry can help each other. Just 15 years ago, the thought of commercialising British athletics horrified purists, and the sponsorship of events was spasmodic. In 1971, international hurdler Alan Pascoe and PC Andy Norman wrested £2,800 *from Visionhire and the BBC for* the Phillips Night of Athletics. This was an early instance of a tailor-made marketing package aimed at creating a symbiotic relationship between sponsor and sport.

Packages have been successful, partly thanks to the efforts of consultancies like Alan Pascoe Associates. APA, having realised the huge marketing potential in athletics, won the marketing rights for British Athletics with a guarantee of a £3m input over a five year period.

The health boom, marathon mania and the burgeoning leisure industry have contributed to the growth in athletics and its appeal to sponsors. But the top athletes have contributed most. Athletes like Sebastian Coe, Steve Cram and Fatima Whitbread have catapulted Britain into the top five in world athletics. Their success sparked off popular interest, and greater media coverage - a tempting prospect for sponsors.

There is a danger, however, that athletics will become over-dependent on sponsors. Once saturation point is reached, and public interest wanes, TV coverage will fall, as will the attraction to sponsors. British athletics lives in the shadow of such a threat.

ITV has had a monopoly of coverage of UK domestic events since 1984, paying £10m over five years for exclusivity. The BBC has increased coverage of the Mobil's European Grand Prix circuit. Overall, TV exposure has surged dramatically, but the quality of performance has not. There is evidence that the viewing public is tiring of mediocre non-competitive meetings.

To keep sponsors' interest it might be necessary to cut back the quantity of coverage, and improve quality of performance.For athletics to continue thriving, sponsors must be brought into every level of the sport, from regional to national, from youths to veterans. As Alan Pascoe says: "Once you have funded the shop window, it is critical that you provide for the future by funding other elements of the sport, building it up in depth and breadth."

Of the six sponsors currently involved in major British events, Pearl Assurance, Peugeot Talbot, Kodak, McVities, Dairy Crest and Girobank, the latter two do their bit for the grass roots, sponsoring British junior televised events and the Young Athletes League respectively.

This year the British Dairy Council doubled its involvement in junior athletics by sponsoring both the English and Welsh Schools championship, and the finals of the Schools Cup. At senior level, HFC is sponsoring an ea league, while long-term sponsor of the National League, Guardian Royal Exchange, has renewed its contract. Securicor is sponsoring The Sprinting for Britain Challenge, to find the fastest 13-15-year-old boy and girl in the country.

The money being ploughed into British athletics is paying dividends. British athletes won no fewer than nine gold medals in this year's Junior European Championships. On the track at least, Britain finished ahead of East Germany and the USSR.

Brian Bollen and Nicky Williamson

BUSINESS SPONSORSHIP 3

The future for arts sponsorship is bright, despite some risks, writes **Antony Thorncroft**

Hunt is on for imaginative tie-ups

THE ARTS and Mammon are locked in an embrace which, give or take the odd itch, is providing mutual pleasure. In 10 years, the amount of money that business has invested in the arts has grown from well under £1m a year to approaching £30m.

If you add in the money spent by companies on entertainment at, and promotion of, the events they help to finance, the actual expenditure will almost double.

Around 900 companies have had some experience of arts sponsorship, and the Association for Business Sponsorship of the Arts - which has laboured for 11 years to act as an honest broker between the two sides - is confidently forecasting that by 1992 business might well be underwriting the arts with £60m.

Of course such success has created problems. With business rallying round so enthusiastically, the government, the main paymaster of the arts, has seen the chance to make savings. Successive arts ministers have maintained that corporate sponsorship is a supplement rather than a substitute to the money the government provides for the Arts Council and the national museums. But it has increased its expenditure on arts (ignoring the millions of pounds pumped into the new British Library) by less than inflation for the past three years.

It has now raised the spectre of challenge funding, under which arts companies must prove their efficiency by boosting their income, through sponsorship among other means, in order to receive government aid. This policy, which has not been completely thought through, has already started a political row in the arts world. Who should administer challenge funding - the Arts Council or ABSA?

The Arts Council has the experience but ABSA has been running the Business Sponsorship Incentive Scheme, a form of challenge funding which has raised almost £16m of new money for the arts in three years. This year the BSIS exhausted the £1.75m advanced by the Government in less than six months, to great embarrassment. The scheme is being re-thought for 1988-89 and the hope is that the budget will be raised to nearer £5m. But if this happens, the Arts Council may well have to make do with a frozen grant.

It is a pity that politics has entered the funding of the arts. On the ground, the relationship between business and arts groups is good. Against expectations, many of the keenest sponsors are medium and small companies operating in the regions. The big national companies based in London have not creamed off all the money. The BSIS has gone out of its way to encourage new sponsors supporting imaginative, even avant-garde, arts companies.

The trade union, Nalgo, qualified for a BSIS top-up by supporting a play at the Young Vic; solicitors, for example Northampton based Howes Percival, were rewarded for helping a tour by the Orchestra of St John's Smith Square; and Eurotunnel has become a speedy arts sponsor, sweetening the local community by contributing towards a concert at Leeds Castle in Kent.

Out damned spot

It would be naive to think there are no problems in the increased dependency of the arts on business sponsorship. Institutions like the Royal Court and Stratford East theatres have attracted few sponsors - their commitment to anti-Establishment plays has scared off potential backers. There are also companies - the new English Shakespeare Company comes to mind - which have made their existence very dependent on the loyalty of one commercial friend, in this case the Allied Irish Bank.

Arts groups do not consciously succumb to the pressures of would-be sponsors, but probably gear their programming to more commercial work in order to offer potential backers a more appealing back drop for entertaining customers, existing and prospective, and friends. There has also grown up the practice of sponsorships lasting just three years. After that, companies feel they have done their bit and look for pastures new. This can leave arts groups feeling financially vulnerable.

Considering the risks, however, there are many more satisfied partnerships than unhappy couplings. Knowledge on both sides has increased tremendously, helped by specialist companies in this field. Advertising agencies, like Saatchi & Saatchi, now have subsidiaries which compete with established firms like Kallaway, in the organisation of the big events.

Entertainment has become of paramount importance. Business deals completed on the basis of introductions forged at Glyndebourne or Covent Garden are now common. This is a good thing since the other major reason for arts sponsorship - media publicity - has often proved disappointing.

The BBC, in particular, is reluctant to mention sponsors, as Harveys of Bristol knows to its cost. For many years it has backed the Leeds Piano Competition and indeed has officially changed the name of the event to the Harveys-Leeds. But when it evaluated its publicity from the recent contest, it had been credited in only 18 newspapers as against 316 which referred to the event as just the Leeds. It blames the BBC for dropping the link in its listings, as well as in its coverage.

Not every sponsor seeks a marketing advantage from its aid: Marks & Spencer is still happy to do good mainly by stealth, with the £500,000 it pumps into the arts each year concentrated on youth ventures in deprived parts of the country. But, increasingly, sponsorship forms part of the overall marketing budget (this way it qualifies for tax relief) and the investment is evaluated.

Some companies, Mobil, for example, with its touring theatre, actually goes some way to recouping its expenditure. Its production this year, Rosencrantz and Guildenstern are Dead, which visited many provincial cities, enabling Mobil to entertain contacts, made it to the West End for a brief run.

Dave Willetts, the new 'Phantom' of the Opera, is helping to publicise Help the Aged's new sponsorship brochure (itself sponsored by Barclay's Bank).

Another company to extend its arts sponsorship into every part of its marketing is Digital, the American computer company, which is the leading supporter of dance in the UK. Lloyds Bank, too, is advertising extensively its aid, totalling £500,000, for the Art in Plantagenet England exhibition.

The future for arts sponsorship is bright. The government is unlikely to allow any additional tax relief on giving to the arts - and those already announced to encourage individual giving are too small and too complicated to have much impact, but there is still considerable mileage in being linked with arts ventures. After all, the arts are one of the great British success stories. It is significant that foreign companies, especially the Japanese, have been very generous in their aid. The V & A and the British Museum have been major gainers.

The hunt is on for more imaginative arts tie-ups. Competitions are the favourites, especially those which might attract the television cameras: supporting yet another orchestral concert has lost its appeal. The arts still sell themselves too cheaply. When substantial sums are involved, like the £100,000 usually needed to back a new opera production at Covent Garden, sponsors are thin on the ground.

They should raise their sights, and invest in success. Companies will find arts groups ready to meet them half-way - and more: but they would be foolish to exploit the current poverty of most arts organisations. They should not let the Government shirk its responsibility in underpinning this national treasure.

Sports Council

Move to 'communicating through sport'

ATTITUDES TO sports sponsorship are changing. Derek Etherington, the Sports Council's sponsorship consultant, says that not so long ago the crucial question for a potential sponsor was: "Shall we get on TV?" The attraction of a few hours' prime-time viewing with the company logo showing up big every few minutes was irresistible. "But now," Mr Etherington says, "of Britain's 1,600 major sports sponsors, only one in 11 gets TV time".

Mr Etherington, former marketing director of Ladbroke, says that sponsoring companies are obviously finding ways of contacting consumers in a different way. He sees a future in which the word "sponsorship" will be replaced by something called called CTS - "Communicating Through Sport", an operation which will bring local sponsors in touch more effectively with people.

TV has always been the real lollipop of sports sponsorship. Why did John Player pull out of the Sunday League county cricket matches? When the tobacco company originally took over the competition, they were guaranteed coverage of an entire game, ball by ball, on BBC2 every Sunday afternoon of the season. This was reduced when Sunday afternoon Grandstand was introduced, with several Sunday sporting events featured, including bits of cricket. "I don't know whether this influenced Player's decision to pull out, but it may have," says Etherington."

If success is to be calculated by figures, then it seems there is an unanswerable case for sports sponsorship. In five years the money going into UK sport has risen from £50m a year to £160m and that is only the "up front" figure. Adding the cost of marketing, promotion and other factors, gives £350m a year, about 10 per cent of all TV and press advertising in the UK.

What do both sides get out of it? The classic example is the sponsorship of the five day Test cricket matches by Cornhill Insurance which turned this company, little known outside the City of London, into a household name. And Cornhill's investment in what dedicated fans call "real cricket" probably saved the five day game. John Player's sponsorship of Rugby Union with the John Player Cup made the game more competitive than ever before and set the mandarins at Twickenham thinking more seriously about the issues of amateurism and professionalism.

So it is a two-way traffic. Not so very long ago, a senior executive of Trust House Forte told media-people at the launch of a new horse-racing sponsorship: "Sponsorship is not a charitable institution."

Mr Etherington at the Sports Council echoes this when he says: "A company will ask 'What shall I buy?' Sometimes you will have three answers to this which, combined, will give you the right answer. A company chairman looks for something which will extend the range and image of his company and at the same time thinks of his own personal sports interests. The sales and marketing people have their own ideas which are obvious. And the PR and community affairs people have their own much softer interests - local opportunity, staff morale and better communications."

Mr Etherington believes that with these three interests working together a successful sponsorship package can produce advantages for both sides. To go back to the classic example of cricket: not so many years ago, the career of a good county professional was no bed of roses. His pay was not all that good and he certainly saw none of the glittering prizes that soccer stars could rely on. Older pros have written about staying at down-market boarding houses for an away game and travelling to the ground in a tramcar.

Sponsorship, some people will argue, has played a big part in changing all that. Pay is better and the three limited over competitions, sponsored by Benson and Hedges, NatWest Bank and Refuge Insurance (which took over the Sunday League from John Player) offer good prize money. Some professionals are picking up six-figure jackpots from their benefit and testimonial seasons.

Snooker could never have risen from a slightly superior bar game to an international sport with an audience of millions without television and the sponsors. Now it turns taciturn young men in waistcoats into millionaires faster than the textile industry did when soldiers started wearing khaki.

Where do we go from here? Mr Etherington says the biggest growth area in sponsorship is in "the money business" - the banks, insurance companies and finance houses. General Accident is deeply involved in horse racing, NatWest in cricket, insurance brokers Stewart Wrighton sponsors the Army and Navy rugby games, an appropriate choice since one of its specialist fields is selling insurance policies to servicemen.

The world of sport will always include more than its ration of entrenched reactionaries. There are still some who see what appears to them as the takeover of a sport or a club by big business as somehow un-British. But moods are changing. How many lowly League soccer clubs on the brink of bankruptcy were saved by a last-minute injection of cash from a local company with motives that were not entirely altruistic? After all, it could not do the company's image and sales much harm.

At the top of the tree, Queens Park Rangers, the West London club guided to the path of success by Terry Venables, are now struggling with Liverpool and Everton for the First Division championship. How far did Venables' £500,000 deal with Guinness, master-minded by Ernest Saunders a few years ago, put the club on the glory road? There is no answer to this.

What makes a winner? True grit or sponsorship? Whatever the answer, Mr Etherington sees new growth areas - the food companies which have been slow to make their claims and the cosmetics and toiletry interests looking for women's sports to take under their wing.

He makes an important point for sports looking for sponsors. If you approached Rolls-Royce and asked them for some sports sponsorship, they would probably look for a sport with followers who can afford to buy a Rolls. As the man said, sponsorship is not a charitable institution.

Alan Forrest

A surprising partnership

Singing the praises of a beefed-up image

A MATCH between a company selling bulls' semen to cattle farmers and a regional opera company producing Cosi fan tutte sounds unpromising, but has proved to be one of the surprise success stories of business sponsorship of the arts this year.

Opera West, a leading regional operatics group based in Ayrshire, Scotland, had planned an ambitious production in April this year of the Mozart opera, involving the Scottish National Youth orchestra, making its first appearance in a theatre pit. Elisabeth Schwarzkopf, the world-renowned soprano and Opera West's honorary president, offered to travel from Germany to tutor the company in rehearsal. But the project was ready to founder without a swift injection of cash.

Rescue was at hand in the form of Semex (UK Sales) the largest independent artificial insemination company in the UK, but still a relatively small concern with some 30 staff based in the village of Dalrymple.

Gavin Miller, Semex's promotions co-ordinator, says the company had no direct experience of sponsorship outside of awards for local children's events: "We felt we had reached a stage where we were well known to our customers through agricultural press advertising, but hardly known at all in our own backyard."

The proposition put to them by Opera West "seemed to have a lot going for it": it was the first time the National Youth Orchestra had been in a pit and the associated prestige of Schwarzkopf "was bound to attract media attention."

Mr Miller admits that the decision to offer the company a sponsorship package worth £15,000 over three years was not entirely motivated by a desire to bring culture to the citizens of Ayr. Evangelism of a different kind was involved.

"When people discover what we do it tends to produce a snigger. We wanted to educate them about the company and the benefits of artificial insemination in general."

In the run-up to the show the company benefited from the considerable press coverage on the arrival of Schwarzkopf. During the course of the production it mounted a display in the foyer of the Gaiety theatre and if the audience were left in any doubt as to the company's business a banner bearing the legend "Semex breeds success" filled them in. The company was also able to take clients to the performance and afterwards to back-stage parties.

In the longer term, over the three-year sponsorship period, Opera West's stationery bears the Semex logo.

The potent combination of disseminating art and artificial insemination produced considerable publicity in local papers, in the agricultural trade press and in the Glasgow Herald. Further exposure followed when Richard Luce, the Arts Minister, presented the company with a Business Sponsorship Incentive Scheme award which matched the company's £5,000 with government money.

Inside the company reactions to the project initially were mixed. Mr Miller admits there were "a few raised eyebrows," but the wisdom of beefing up the company image in such a creative way was soon appreciated and the majority of staff attended the show.

The knock-on effect from the press coverage has been significant. Mr Miller says that recruiting is far easier because the company is now well known locally.

As to Semex's future commitment to sponsorship, Mr Miller says the company is now firmly convinced of its benefits and will investigate other ventures, but to the relief of sports commentators nationwide adds: "I don't think the day will ever come when Glasgow Rangers run out onto the pitch at the Cup Final wearing Semex emblazoned on their shirts."

Allison Lobbett

Christ on Cross, late 13th century. Lent by V&A to Royal Academy of Arts exhibition, the Age of Chivalry. Lloyds Bank is spending £400,000 on sponsoring the exhibition

Royal Shakespeare Company

Is this a red shield I see before me?

FEW ARTS groups can have made such an impact in recent years, both nationally and internationally, as the Royal Shakespeare Company. As its reputation has grown, so have its activities: until this year it was operating in six theatres - three in Stratford-on-Avon and three in London.

The problem with such an expansion, however, is that it depends on constantly rising revenues, both from the box office and from subsidy. The RSC has been very effective in generating its own income and relies on subsidy for less than 40 per cent of its income. But in 1986 it had a disastrous year at the box office in its show case Barbican theatre, and this summer had amassed a deficit of over £1m on a turnover of around £15m.

It has been partly rescued by Royal Insurance which has agreed to pump in £1.1m in sponsorship over three years, with the emphasis on an annual four week national tour to the main cities, something the RSC has been unable to contemplate in recent years.

For its cash - the biggest single sum committed by a commercial company to an arts organisation in the UK - RI becomes the sole overall sponsor of the RSC, with its symbol of a red shield appearing on all RSC publicity. It has had experience sponsoring the RSC in the past, with the Armchair proms which were designed to get the young into the Barbican at bargain prices, but this time the relationship will be very close.

The Royal might end up spending nearer £2m through buying tickets, entertaining at the various provincial ports of call, and advertising the link. It will expect the RSC to co-operate in its own advertising campaigns - it might, for example, use RSC actors in its own marketing. Entertainment is very important but so is the public exposure of the RSC. Around 1.2m people see its performances each year and they will not be allowed to forget that the Royal is a major supporter of the company.

For the RSC there was one major drawback about the Royal sponsorship: it might have frightened off other potential backers. This year its tour to smaller venues will be supported with £140,000 from Nat West Bank. But the bank feels that, after five years, it has done its bit and the RSC is looking for a new sponsor for this enterprising event which takes the company to venues such as Newbiggin-by-Sea and Stoke-sub-Hamden.

The RSC is also finding it harder to get sponsors for new productions, mainly because companies want to be associated with tailor-made events, rather than one-off connections.

The Royal's money prevented the RSC from experiencing a midsummer crisis. As well as underwriting the regional tour, its cash will go towards an endowment fund which will act as a fail safe to the RSC if it encounters future financial setbacks.

It does not solve the underlying economic problem of a frozen government subsidy during a period of ever-rising costs. In the next two years royalties from the hugely successful Les Miserables and, to a lesser extent, Kiss Me Kate, will help to bridge the deficit.

But the RSC has been forced to make its February season at Stratford the occasion for a commercial venture which will later be seen in London: it will be Carrie adapted from the novel by Stephen King.

Antony Thorncroft

Charities

Talking sponsors' language

THE RELATIONSHIP between business and charity until relatively recently could have been summed up by the image of an enthusiastic, tweedy lady appealing to the better nature of a successful man with a cigar. But in an economic climate which encourages the survival of the fittest, those caring for the helpless and supporting the unprofitable cause have been obliged to make a swift entry into the commercial arena to compete for sponsorship.

Charity is now big business. In 1986 receipts totalled £12.65bn, with some £200m donated by corporate sources. As charities have woken up to the idea that more funds can be raised from working closely with companies, so businesses have realised that giving to charity can be more than a social duty.

The British Lung Foundation epitomizes the new attitude to sponsorship. Dr Malcolm Green, the charity's chairman, stresses BLF is geared towards "giving sponsors something for their money". Its latest venture has already been named sponsorship of the year, which means that British Airways will back a production of Cinderella at Covent Garden with the charity collecting an estimated £150,000 proceeds from the December gala opening.

Dr Green has noticed a dramatic change in the approach to sponsorship: "quite often it was a personal link, say the chairman's wife's favourite cause, which used to trigger a sponsorship. Now charities are far more businesslike and companies far more switched on to the commercial possibilities."

But he warns that sponsorship, however generous, does not offer a satisfactory alternative to proper government support for medical research. "The case in respect of medical charities is particularly dangerous - business is increasingly sympathetic, but the Government should match its contributions."

Most charities are not in a position to be selective about their patrons, but when there is a logical link between cause and sponsor the results can be particularly fruitful.

Two years ago, Pearl Assurance set up their Parentcare Club to raise money for the NSPCC to establish a national network of child protection teams. To join, parents make a minimum donation of £5 to the National Society for the Prevention of Cruelty to Children, for which they receive a quarterly magazine and a voucher book offering savings against several babycare products including the first premium on a Pearl child savings policy.

The club has already raised more than £350,000 for the NSPCC and the company says it has proved a highly successful way of generating new business.

Another product-promotion sponsorship success was scored last Christmas by Dr Barnardo's and Timex which ran a press and point of sale campaign undertaking to make a donation for every watch sold towards a new children's home, guaranteeing a figure of £75,000. Dr Bill Beaver of Dr Barnardo's said: "Timex wanted to involve their retailers more and we offered them a marketing solution."

This example of a charity talking the sponsor's language and working with a company to meet commercial criteria, is spreading as organisations realise that a positive proposition generates more response than a cap-in-hand appeal.

The more constructive attitude amongst companies towards charities is typified by American Express. This year the company is sponsoring St John Ambulance for £0.5m, offering the charity its expertise in a number of areas including the organisation and funding of a national advertising campaign. David Barnes, UK corporate relations manager, says: "American Express has more to contribute than simply money - practical help can stretch much further."

Richard Radcliffe, charity services director of the Charities Aid Foundation, is convinced that far greater funds could be accessed if charities became more businesslike and if companies were aware both of the enormous tax advantages attached to projects involving an "element of goodwill" and the "pulling power" of a good cause harnessed to a commercial end.

The World Wildlife Fund which led the way in charity sponsorship over two decades ago with Brooke Bond, is proof that business and benevolence are compatible. Sixteen staff, refreshingly unapologetic about their hard-nosed approach, are responsible for fundraising. An appeals team targets conventional charity budgets and a marketing group, all with business backgrounds, competes for PR and marketing funds.

Kate Brooks of WWF says their commercial know-how takes companies by surprise and gives them an immediate advantage. The charity raises more than £1m annually from toughly negotiated product-linked sponsorships with such big names as Cadbury's, Heinz and Fiat. But Kate Brooks admits the secret of their success isn't purely commercial: "We are very lucky to have an extremely attractive end product."

For those not fortunate enough to be able to offer cuddly pandas, competition for sponsorship can be double-edged, with some causes - often the most needy - proving too unpalatable for most companies.

Sarah Woolf, direct marketing executive of Action on Smoking and Health (ASH), voices the anxieties of many charities: "It is very easy for us to get support for projects related to children, but others are more difficult. There is a danger you'll gear what you're doing towards something you can find sponsorship for, not something that really needs doing."

Small charities working in less marketable fields such as drug abuse find the problem particularly acute. Their staff are experts in caring, but uncomfortable in a marketing environment and their budgets will not justify hiring a professional fundraiser.

A recent solution has appeared in the shape of Charity Projects, founded to raise money for "unattractive" causes such as alcoholism and homelessness. Jane Tewson, founding director, had worked with other charities and saw a need for an organisation which could offer sponsors what they would expect from their other marketing ventures - a target audience, publicity and an image boost.

To date, Charity Projects has set up the hugely successful Comic Relief and the Great Investment Race, backed by Prudential Holborn Unit Trusts, which has raised some £¾m from City institutions. All money Jane Tewson points out, that would not otherwise have been available to the voluntary sector.

Whether this new commercial edge to charity eventually brings about more innovative joint ventures or the collapse of small charities which cannot compete, one thing is certain - the days of the well-meaning amateur are numbered.

Allison Lobbett

Jacky Beagles (standing) was seconded by ICI as office skills instructor at Fullemploy Lewisham Project

Inner city charities

Enlightened self-interest

CORPORATE sponsorship of "socially responsible" projects and causes, often in the inner cities, is on the verge of a dramatic expansion.

The expansion is needed if British business is to match the community-giving performance achieved in the US, where the average level is 1.7 per cent of pre-tax profits, compared with our 0.1 per cent. However, three factors suggest that the opportunities to close the gap are there.

Government is pressing the private sector to play a leading part in ambitious partnerships to bring about urban renewal. And new initiatives are in hand, such as the Prince's Youth Business Trust, to raise millions of extra pounds from corporate sources.

Second, the boardroom mood is more favourable than ever, judging by the widening circle of companies that are committing themselves to socially responsible policies, and the attention that the question of urban renewal received at the Confederation of British Industry's annual conference in Glasgow recently.

A resolution was passed calling for further steps to promote the partnership between the public and private sector on urban renewal. The CBI also announced the getting up of a task force to report on improving the effectiveness of private sector involvement.

The Per Cent Club of companies which have pledged to spend up to 1 per cent of their pre-tax profits on socially responsible sponsorship, shows continual growth and has passed the 100-member mark. In the City of London, the annual Dragon Awards Scheme was launched in July by the Lord Mayor. Statuettes will be presented to firms with headquarters in the square mile which have contributed significantly to the improvement of community life and employment opportunities in the year.

The third favourable factor is that expertise and effective means of delivery exist, having been fashioned in the period since 1980-81.

In 1980 Business in the Community was set up by a number of companies to promote the concept of socially responsible sponsorship and to help the private sector shape its policies and put them into practice during a time of recession and mounting unemployment. The inner city riots of 1981 jolted many more companies into participation.

The Local Enterprise Agency network is virtually the creation of private-sector sponsorship in the period since 1981, and is based upon the pioneering work of Pilkington which in St Helens set up one of the first of the LEAs in the late 70s. Sir Alistair Pilkington was a founder member of BiC.

There are some 250 LEAs throughout the country, sponsored in total by around 3,000 companies. The LEAs' function is to help would-be entrepreneurs start up in business, and support them with a range of services. Seats on the boards of the self-governing LEAs are occupied by representatives of sponsors, which, in keeping with the partnership principle, may include local government as well as companies.

But the LEAs represent just one aspect of sponsorship. It also includes support for housing projects, education, training, job creation, the advancement of ethnic minorities, provision for disabled people, conservation schemes, loan funds for start-up small businesses, low-rent workspace units, and award schemes to promote enterprise.

In Halifax in Calderdale, a partnership which includes BiC is attempting to put new heart into the borough through a programme of refurbishment and renewal. One of its main backers, Rowntree Mackintosh, has loaned £200,000 interest-free to the partnership to fund low-interest loans to approved projects to help restore buildings and sites.

Sponsorship is not always given wholly in cash. It may also take the form of secondment of staff to organisations and projects, donations in kind (computers are a favourite), and assets such as premises.

Along with BiC and the LEAs, many other organisations receive *sponsorship to carry out socially* responsible work. These include, The Prince's Youth Business Trust, Project Fullemploy, which helps ethnic minorities with training and employment, Action Resource Centre, which promotes secondment as one of its activities, the Shell UK-backed Livewire national competition for young entrepreneurs, individual community programmes, and community trusts.

Sponsors say that they are motivated by enlightened self-interest. In moving the resolution on urban renewal at the CBI annual conference, Patrick Sheehy, chairman of BAT Industries, said: "We cannot stand aside from difficult social problems, if only because the health of the society in which we live as citizens, and operate as businessmen, is crucial to our success and well-being."

Given this philosophy, it is a matter of little surprise that the clearing banks, with their stake in local communities through their branches, are leading sponsors of the LEAs, particularly with secondee support. Among the high street retailers, Marks & Spencer and Boots are prominent sponsors of LEAs.

Socially responsibility sponsorship builds upon the older tradition of charity giving that has been a feature of British industrial philanthropy since the mid nineteenth century. In the post-Second World War decades the pendulum swung towards state provision, but the climate of the present times, and favourable changes in taxation, including the innovation of payroll-giving for employees, appears to be restoring a fashion.

The Charities Aid Foundation would like to see more done by the corporate sector for its causes. Michael Brophy, director of CAF, in his foreword to Charity Trends 1986-87, complains that the total pool of contributions from the corporate sector to registered charities is less than £200m out of an estimated total income for 1985-86 of over £12bn.

Alexander McDonald

Tobacco companies

Anti-smokers lobby

TELEVISION VIEWERS *of* the recent Grand Prix snooker tournament - won by 18-year old Stephen Hendry - might have been forgiven for wondering what had happened to the sponsor's name, which appeared on screen only when necessary for the game to be covered.

Rothmans (UK), the tournament's sponsors, had for the second year running been subjected to the BBC's new tougher approach to tobacco companies' sponsorship of sport on television.

The BBC had been forced to act after intensive lobbying about the level of tobacco sponsorship on television. This lobbying included each BBC governor being sent copies of photographs taken 'off air' clearly showing a tobacco sponsors' name.

Rothmans last year had less than one month's warning that the BBC was unhappy with the prominence of the sponsor's name on the set and - indeed - the colour of the set itself.

This year Rothmans said it had "an excellent relationship with the BBC" but a spokesman admitted that "it was not the set we would have chosen for the tournament".

Rothhmans, like all the tobacco companies, is well aware that less exposure of its name and product colours on television means that it is getting less value for money from its sponsorship. But the company pointed out it is contracted to sponsor the Grand Prix tournament for a further two years, so there was no question of it pulling out.

Rothmans, moreover, supports snooker significantly further *than just the televised Grand* Prix. It sponsors a Matchroom League, where eight of the top players appear at 14 venues around the country to give fans the chance to see world-class snooker in action.

The company also supports a major amateur snooker championship to give aspiring professionals the chance to break into the big time.

But it is television coverage which counts at the end of the day for the tobacco companies, since cigarette advertising has been banned from television for the past 22 years. It is also now banned from cinemas, while poster and press advertising is hedged with restrictions.

Tobacco companies in the UK, as in most other Western countries, have faced increasing pressure over the past two decades from governments seeking to raise revenue from cigarette taxation, as well as more effective lobbying by anti-smoking pressure groups.

The result has been a slump in cigarette consumption as more and more smokers have given up the habit. But for the major players in the UK market - Rothmans, Imperial, Gallaher, and Philip Morris - the issue is not so much trying to turn the tide back and boost overall cigarette consumption but, rather, to ensure that market share is at least maintained if not actually enhanced.

Although the advertising that is allowed is one means of achieving this goal, "below-the-line" promotional activity such as sponsorship is to many marketeers an even more effective means of supporting brand loyalty.

Collectively, the tobacco companies spend about £10m a year on sports sponsorship, £2m on the arts, and a further £2m or so on other forms of sponsorship.

Without this money, would those sponsored survive? Some 18 months ago there were signs that the Sports Council and the Government would between them move to end sports sponsorship by tobacco companies by the end of the decade.

But such a development looks increasingly unlikely, especially following the appointment of Mr Nicholas Ridley as Environment Secretary last year and the arrival of Mr Colin Moynihan as Sports Minister after this year's General Election.

Before Mr Ridley took over as Environment Secretary, it had seemed likely that the voluntary *code of practice on tobacco sponsorship* of sport - which was being renegotiated - would take a much tougher line with the tobacco companies.

But when it was published earlier this year, the changes in the agreement - which runs until October 1989 - were considered to be minimal and angered the anti-smoking campaigners. Under the new agreement, spending on sports events would be reduced by about 10 per cent - effectively a freeze when allowing for inflation - while the companies agreed not to sponsor events aimed primarily at teenagers.

Mr Moynihan made it clear recently that the: "Government recognises that smoking is not banned in this country and that therefore it is legitimate for companies operating in the tobacco industry to advertise and sponsor sport."

The Sports Council also acknowledges that it would be difficult for some sports to give up tobacco sponsorship. "If the governing body of the sport needs the money so badly, and is prepared to have that sort of association, that is a matter of judgement of the governing body," says Mr John Wheatley, the council's director general.

"What we hope to do, and what we are offering to governing bodies, is a service which will encourage other non-smoking companies to come in to replace tobacco sponsorship," he adds.

Attracting sponsors with funds to match those of the tobacco companies will not be an easy task, especially since those potential sponsors will not be precluded from spending their promotional budgets on advertising.

Moreover, the tobacco companies are liked by those sports they are involved with for their long-term commitment to the sport. "Such is the nature and complexity of the organisation of international and national sport that one essential requirement is a reasonably long-lasting financial relationship between the sport and sponsor," points out Mr Peter Lawson, general secretary of the Institute of Sports Sponsorship.

The pressure on tobacco sponsorship of non-sporting events is less acute. "It is important for politicians to note that tobacco companies are not only involved in high-profile sponsorships promoting a brand name but also in giving small but vital contributions to enable many arts *events to happen," says Mr Colin* Tweedy, director of the Association for Business Sponsorship of the Arts.

But for the tobacco companies, arts sponsorship clearly does not reach the same target groups as sports sponsorship.

Although the tobacco companies may have breathed a collective sigh of relief about the new sponsorship agreement, there is no doubt that the anti-smoking lobby is continuing with its campaign.

Mr David Simpson, director of Action on Smoking and Health, believes that the BBC is still the main culprit when it comes to giving free advertising to tobacco companies. "The television companies give about an hour a day of free advertising for cigarettes, and 97 per cent of that is on the BBC," he claims.

David Churchill

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY NOVEMBER 5 1987					WEDNESDAY NOVEMBER 4 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (90)	94.51	−2.0	78.47	92.81	4.23	96.47	81.85	95.10	180.81	94.51	92.56
Austria (16)	93.47	+0.2	77.61	81.68	2.50	93.31	79.17	83.12	102.87	85.53	91.42
Belgium (48)	99.31	−0.9	82.46	87.06	5.39	100.24	85.04	88.87	134.89	96.19	89.58
Canada (127)	102.05	−0.6	84.74	98.36	3.14	102.66	87.10	98.42	141.78	98.15	100.10
Denmark (38)	109.44	+0.5	90.87	96.71	3.01	108.94	92.43	97.76	124.83	98.18	94.40
France (120)	86.35	+2.5	71.70	76.39	3.47	84.23	71.46	76.96	121.82	79.10	92.31
West Germany (93)	78.51	+0.1	65.19	68.08	2.72	78.41	66.52	69.79	104.93	77.58	92.25
Hong Kong (46)	75.82	−5.2	62.96	76.00	6.36	79.97	67.85	80.19	158.68	75.82	86.89
Ireland (14)	101.58	+1.0	84.35	90.02	4.89	100.59	85.34	91.18	160.22	99.50	86.00
Italy (95)	75.88	−1.5	63.01	70.10	2.67	77.04	65.37	72.64	112.11	75.88	101.58
Japan (458)	137.26	+0.3	113.97	116.70	0.58	136.79	116.05	118.59	161.28	100.00	86.55
Malaysia (36)	105.80	−2.6	87.85	101.60	3.56	108.61	92.15	104.77	193.64	98.24	103.48
Mexico (14)	202.01	−11.9	167.74	367.08	0.82	229.32	194.56	415.46	422.59	99.72	88.74
Netherland (37)	95.90	+3.2	79.63	82.28	5.32	92.89	78.80	81.55	131.41	92.89	94.32
New Zealand (23)	78.06	−3.1	64.82	67.45	4.54	80.58	68.36	69.58	138.99	78.06	91.19
Norway (24)	115.07	−4.0	95.55	100.31	2.71	119.92	101.74	105.06	185.01	100.00	102.98
Singapore (27)	96.39	−3.1	80.04	91.24	2.62	99.50	84.41	94.38	174.28	90.19	103.04
South Africa (61)	112.46	−6.8	93.38	84.07	5.03	120.66	102.37	90.96	198.09	100.00	97.22
Spain (43)	128.32	+0.4	106.55	109.94	3.66	127.78	108.41	110.50	168.81	100.00	86.54
Sweden (34)	97.39	−0.4	80.87	87.41	2.59	97.74	82.93	88.88	136.64	90.85	103.11
Switzerland (53)	81.73	+0.2	67.86	69.31	2.33	81.58	69.22	71.42	111.11	80.90	90.71
United Kingdom (332)	119.02	+3.8	98.82	98.82	4.52	114.62	97.24	97.24	162.87	99.65	95.51
USA (583)	103.74	+2.1	86.14	103.74	3.53	101.56	86.16	101.56	137.42	92.83	102.27
Europe (947)	98.72	+2.1	81.97	84.45	3.87	96.73	82.06	84.64	130.02	96.73	94.42
Pacific Basin (680)	133.39	+0.2	110.76	114.42	0.79	133.17	112.98	116.38	158.77	100.00	86.89
Euro–Pacific (1627)	119.56	+0.8	99.28	102.46	1.81	118.62	100.64	103.71	143.65	100.00	89.87
North America (710)	103.64	+2.0	86.06	103.46	3.50	101.61	86.21	101.40	137.55	93.20	102.16
Europe Ex. UK (615)	86.13	+0.6	71.52	75.54	3.31	85.64	72.66	76.91	111.97	84.82	93.78
Pacific Ex. Japan (222)	86.68	−3.2	71.98	84.66	4.78	89.51	75.95	87.63	164.03	86.68	91.20
World Ex. US (1829)	118.93	+0.6	98.75	102.28	1.88	118.16	100.25	103.58	143.38	100.00	90.32
World Ex. UK (2080)	112.46	+0.9	93.38	103.37	2.25	111.46	94.56	103.61	138.82	100.00	94.93
World Ex. So. Af. (2351)	113.03	+1.2	93.85	103.00	2.45	111.65	94.73	103.01	139.47	100.00	94.96
World Ex. Japan (1954)	101.43	+1.7	84.22	95.88	3.69	99.72	84.60	94.98	134.22	96.44	99.02
The World Index (2412)	113.03	+1.2	93.85	102.89	2.46	111.71	94.78	102.95	139.73	100.00	94.97

Base values: Dec 31, 1986 = 100
Copyright, The Financial Times, Goldman, Sachs & Co., Wood Mackenzie & Co. Ltd.1987
New York market closed at 15:00 hrs local time November 5.
Latest prices were unavailable for this edition.

BASE LENDING RATES

	%		%		%
ABN Bank	9	● Charterhouse Bank	9	Nat Bk. of Kuwait	9
Adam & Company	9½	Citibank NA	9	NatWestminster	9
Allied Arab Bk Ltd	9½	City Merchants Bank	9	Northern Bank Ltd	9
Allied Dunbar & Co	9	Clydesdale Bank	9	Norwich Gen. Trust	9
Allied Irish Bank	9	Comm. Bk. N. East	9	PK Finans. Intl (UK)	9½
American Exp. Bk	9	Consolidated Cred	9	Provincial Trust Ltd	10½
Amro Bank	9	Co-operative Bank	* 9	R. Raphael & Sons	9
Henry Ansbacher	9½	Cyprus Popular Bk	9	Roxburghe G'rantee	10½
ANZ Banking Group	9	Duncan Lawrie	9	Royal Bk of Scotland	9
Associates Cap Corp	10	Equat'r'l Tst C'p plc	9½	Royal Trust Bank	9
Authority & Co Ltd	9	Exeter Trust Ltd	9½	Smith Wilson Secs	9
Banco de Bilbao	9	Financial & Gen. Sec	9½	Standard Chartered	9
Bank Hapoalim	9	First Nat. Fin. Corp	10½	TSB	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd	10½	UDT Mortgage Exp	¶11.1
Bank Credit & Comm	9	● Robert Fleming & Co	9	United Bk of Kuwait	9
Bank of Cyprus	9½	Robert Fraser & Ptrs	10	United Mizrahi Bank	9
Bank of Ireland	9	Girobank	9	Unity Trust PLC	9
Bank of India	9½	Grindlays Bank	9	Western Trust	9
Bank of Scotland	9	● Guinness Mahon	9	Westpac Bank. Corp	9
Banque Belge Ltd	9	HFC Trust & Savings	9	Whiteaway Laidlaw	9½
Barclays Bank	9	● Hambros Bank	9	Yorkshire Bank	9
Benchmark Tst Ltd	9½	Heritable & Gen. Tst	9		
Beneficial Trust Ltd	11	● Hill Samuel	§ 9		
Berliner Bank AG	9	C. Hoare & Co	9		
Brit Bk of Mid East	9	Hongkong & Shangh	9		
● Brown Shipley	9	Lloyds Bank	9½		
Business Mtge Tst	9	Meghraj & Sons Ltd	9		
Cl. Bank Nederland	9	Midland Bank	9		
Central Capital	9	● Morgan Grenfell	9		
Cayzer Ltd	9	Mt Credit Cps Ltd	9		

● Members of the Accepting Houses Committee. * 7-day deposits 5%. Sunwise 7.66%. Top Tier—£2,500+ at 3 months' notice 9.31%. At call when £10,000+ remains deposited. ¶ Mortgage base rate. § Demand deposit 4.49%. Mortgage 11.125%.

FT CROSSWORD No.6,477

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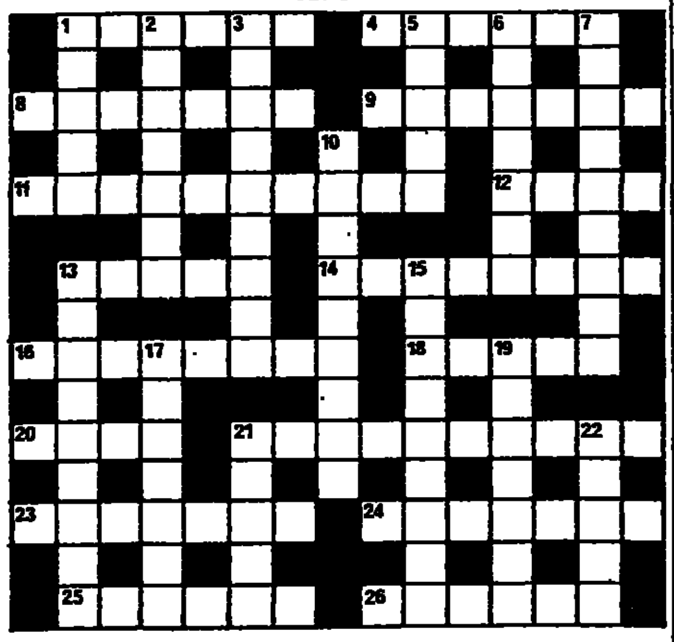

ACROSS

1 Father accepts an idol in temple (6)
4 Think again and buy back? (6)
8 Prepare for retirement ? (7)
9 Play on words man finds sharp (7)
11 Professional man gives report to worker (10)
12 Present soldier with this newspaper (4)
13 Girl against oriental having ointment (5)
14 Many work her land for dealer (8)
16 They once had a smashing time in factories (8)
18 A hospital section gets grant (5)
20 Places orders (4)
21 Body of troops with an air of indifference? (10)
23 Knight returns with German king for rice dish (7)
24 Go to another country for ragtime gathering (7
25 Bridge player picks up sound of garden tool (6)
26 Plays for time near the orchestra pit? (6)

DOWN

1 Peter in charge causing terror (5)
2 Dress with lubricant and create uproar (7)
3 Somehow finds ice on time to purify (9)
5 Triumph once last month (5)
6 Willing to join a union? (7)
7 Authoress in Nottinghamshire (9)
10 It's a cream mixed in jewellery (9)
13 Maybe sun is over keepsakes (9)
15 A chief is in Bonn becoming a nihilist (9)
17 8 (7)
19 Endlessly esteem a student ending up a naval comander (7)
21 Discourage elks surrounding junction (5)
22 They cannot estimate memoranda in here (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

EUROPEAN OPTIONS EXCHANGE

Series		Nov 87 Vol.	Last	Feb 88 Vol.	Last	May 88 Vol.	Last	Stock
GOLD C	$420	174	40B	–	–	–	–	$460.25
GOLD C	$440	52	22B	–	–	–	–	
GOLD C	$460	189	9	43	28	–	–	
GOLD C	$480	55	2B	30	20	55	31B	
GOLD C	$400	–	–	148	3.80	–	–	
GOLD C	$420	–	–	4	7.50	60	9.70	

TOTAL VOLUME IN CONTRACTS: 53,256

A=Ask B=Bid C=Call P=Put

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

هكرامن الاصل

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd —Contd.

Gilt	95.4	95.8	+1.7	7.20
(Accum Units)	113.5	114.0	+2.1	7.20
Global Fund	38.3	40.3	+0.0	0.86
(Accum Units)	38.3	40.3	+0.0	0.86
High Income Fund	42.7	45.1xd	+0.3	5.76
(Accum Units)	43.9	46.4xd	+0.4	5.76
High Interest Fund	46.4	49.1xd	+0.1	9.07
(Accum Units)	47.9	50.6xd	+0.1	9.07
Income	71.0	76.2	+0.3	4.20
(Accum Units)	105.2	111.3	+0.4	4.20
International	238.7	252.5	+2.3	2.80
(Accum Units)	299.2	316.6	+3.0	2.80
Japan	167.5	177.2	+0.3	0.09
(Accum Units)	171.9	181.9	+0.3	0.09
Pacific Fund	31.8	33.6	+0.1	0.20
(Accum Units)	31.8	33.6	+0.1	0.20
Recovery	213.9	226.3xd	-0.5	3.20
(Accum Units)	234.4	248.0xd	-0.5	3.20
UK Smaller Co's Fund	40.4	42.7	-0.2	2.20
(Accum Units)	40.8	43.1	-0.2	2.20

Merlin Fund Mngmt Ltd
30 St James St, London SW1A 1HB 01-925 1277

Merlin Nov 4	439.5	446.85	—	1.51

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ 0707 45184

UK Income Fund	45.9	48.8	-0.2	6.35
Accum Units	46.4	49.3	-0.2	6.89
UK Growth Fund Acc	39.2	41.6	-0.3	2.40
Global Income Fund	43.3	46.0	+0.1	4.35
Accum Units	43.3	46.0	+0.1	4.95
Global Growth Fund	35.7	37.9	+0.5	0.64

Midland Bank Group UT Mngrs. Ltd
Courtwood House, Silver St, Head, Sheffield S1 3RD
Tel: 0742 769842

Capital	85.9	91.1	-2.4	1.68
(Accum Units)	118.9	126.1	-3.4	1.68
Commodity & Gen.	129.5	137.4xd	-3.7	1.97
(Accum Units)	186.5	197.9	-5.4	1.97
European Growth	95.90	101.6	-2.8	1.38
(Accum Units)	115.7	122.7	-3.5	1.38
Extra High Inc.	63.0	66.9xd	—	7.44
(Accum Units)	78.4	83.2	—	7.44

Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

PM Equity Growth	91.5	97.4	+0.2	1.90
PM Income and Growth	81.7	87.0	+0.3	5.79
PM N American Growth	41.4	44.0	+0.7	0.45
PM European Growth	38.6	41.0	-0.7	0.76
PM Japan Growth	59.2	62.9	-0.3	0.42
PM Overseas Growth	42.5	45.2	+0.3	0.56

Prudential Holborn Unit Trusts Ltd(a) (b) (c)
51-69 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377

[illegible]

INSURANCES

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance Co —Contd.

Gilt-Edged Int.	236.5		—	—
Do. Accum	292.7		—	—
Guaranteed Int.	159.9		—	—
Do Accum.	197.9		—	—
International Int.	258.9		—	—
Do Accum	443.8		—	—
Index Lk. Gilt Int.	127.7		—	—
Do. Accum.	158.0		—	—

Merchant Investors Assurance
Leon House, 233 High St, Croydon 01-686 9171

Property	333.8		+0.7	—
Property Pens.	456.1		+1.2	—
Equity	153.6		+0.9	—
Equity Pens.	648.6		+0.1	—
Money Market	316.0		+3.4	—
Money Mkt. Pens.	371.6		+6.2	—
Deposit	241.3		—	—
Deposit Pens.	388.3		+0.2	—
Managed	299.5		+0.8	—
Managed Pens.	461.9		+2.4	—
Intl. Equity	236.4		-2.8	—
Do. Pens.	399.5		-3.9	—
Intl. Managed	244.7		-1.4	—
Do. Pens.	348.9		-1.5	—
North American	101.6		-1.0	—
Do. Pens.	114.0		-0.3	—
Far East	189.7		-6.9	—
Do. Pens.	274.3		-10.1	—
Intnl. Currency	162.9		+0.1	—
Do. Pens.	214.1		+0.2	—
Index Linked	126.3		+1.0	—
S & C Managed Fd	107.3		-1.2	—
S & C Pens Mngd Fd	83.4		-1.0	—
Bell Chambers	107.3		-0.3	—
Loran & Loran	120.1		+0.1	—
Mitton Mngd Fnd	157.3		-0.2	—
Trafalgar Life Funds				
Per Worldwide Rec	117.5		-1.2	—
Per Far East Growth	136.3		-4.5	—
Per Intl Growth	117.2		-1.6	—
Per Income	129.7		-1.3	—
Per Emerging Co's	105.2		-1.7	—
Per American Growth	107.0		-0.9	—
Per European Growth	93.0		-3.0	—
Fra American & Gen.	77.6		-1.9	—
Fra Capital	138.0		-2.1	—
Fra Income	149.1		-1.5	—
Fra Intl Growth	93.7		-1.4	—
Fra Japan & Gen	146.0		-3.8	—

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 3JS 0603 683986
NUAM Funds

Managed Fund	47.4	49.9	+0.3	—
Stock Market Mngd Fund	44.6	47.0	+0.4	—
Equity Fund	48.1	50.7	+0.5	—
International Fund	41.8	44.0	+0.3	—
European Fund	43.4	45.7	+0.2	—
North American Fund	37.4	39.4	+0.5	—
Pacific Fund	50.5	53.2	+0.6	—
Property Fund	53.6	56.5	—	—
Fixed Interest Funds	51.5	54.3	-0.2	—
Index Linked Sec Fund	46.4	48.9	-0.1	—
Deposit Fund	51.9	54.7	—	—
NUAM Retirement Plan				
Mixed Fund	48.2	50.8	+0.2	—
UK Ordinary Share	52.8	55.6	+0.4	—
International Fund	40.7	42.9	-0.5	—
Property Fund	53.5	56.2	-0.1	—
Fixed Interest Fund	53.6	56.5	+0.4	—
Index Linked Sec Fund	46.7	49.2	+0.3	—
Deposit Fund	54.1	57.0	—	—
NUAM (NF)				
Managed Fund	642.8	676.7	+0.7	—
Equity Fund	1250.2	1316.0	+12	—
Property Fund	334.0	351.6	—	—
Fixed Interest Fund	379.9	399.9	-1.0	—
Deposit Fund	211.9	223.1	—	—
International Fund	108.5	114.3	+1	—
Index Linked Sec Fund	46.5	49.0	-0.1	—

Norwich Union Life Insurance Soc.
PO Box 4, Norwich NR1 3NG 0603 622200
Pensionmaster* & Unit-Linked Plan*

Fixed Interest Fund	265.3	279.2	—	—
Index-Linked Sec Fund	129.1	135.8	—	—
Ordinary Share Fund	391.8	412.4	—	—
International Fund	107.7	113.3	—	—
Property Fund	165.2	173.8	—	—
Deposit Fund	169.4	178.3	—	—
Mixed Fund	272.2	286.5	—	—
Norwich Units Oct 15		1047.9	—	—

*Prices as at October 30.

Pearl Assurance (Unit Funds) Ltd
252 High Holborn, London WC1V 7EB 01-405 8441

Prop. Dist. (Gross)(z)	153.9	162.0	—	—
Prop. Acc. (Gross) (z)	249.4	262.6	—	—
Equity (Gross) (z)	550.8	580.9	+0.7	—
Managed (Gross) (z)	411.8	433.5	+1.9	—

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
	"Shorts" (Lives up to Five Years)				
3May 3Nov	Treas. 12pc 1987	100[illegible]xd	28.9	—	—
26 Jul 26 Jan	Treas 7¾pc 1985-88‡‡	99[illegible]	19.6	7.77	8.45
10Nov 10May	Exch 10½pc '88	100[illegible]xd	5.10	10.41	8.65
14Dec 14Jun	Treas 9¾pc Cv '88	100[illegible]	8.5	9.69	8.63
1Jan 1Jul	Transport 3pc '78-88	97[illegible]	26.5	3.07	6.71
25 Apr 25 Oct	Treas. 9½pc '88	100[illegible]	18.9	9.43	8.64
22 Aug 22 Feb	Treas 11½pc 1989	103[illegible]	16.7	11.14	8.72
18 Oct 18 Apr	Treas 9½pc Cnv 1989	101[illegible]	11.9	9.39	8.64
15Nov 15May	Treas 3pc 1989	95xd	9.10	3.16	6.52
14Dec 14Jun	Treas 10½pc 1989	102[illegible]	8.5	10.24	8.74
1Feb 1Aug	Exch 10pc 1989	102[illegible]	25.6	9.81	8.71
29 Mar 29 Sep	Exch 11pc 1989	103[illegible]	24.8	10.59	8.71
15 Apr 15 Oct	Treas 5pc 1986-89	95[illegible]	8.9	5.26	7.81
15 May 15 Nov	Exch 10¼pcCv '89	105xd	9.10	9.77	7.54
15 Jul 15 Jan	Treas 13pc 1990‡‡	108[illegible]	8.6	12.00	8.67
12 Aug 12 Feb	Exch 11pc 1990‡‡	104[illegible]	16.7	10.53	8.75
22 Sep 22 Mar	Exch. 12½pc 1990	107[illegible]	17.8	11.60	8.78
8 Nov 8 May	Treas. 3pc 1990	91½xd	2.10	3.28	6.73
15 Dec 15 Jun	Treas 8¼pc 1987-90‡‡	98[illegible]	11.5	8.34	8.73
25 Apr 25 Oct	Treas. 10pcCv 1990	103[illegible]	18.9	9.70	8.77
22 May 22 Nov	Exch 2½pc 1990	89[illegible]xd	16.10	2.81	6.50
10 July 10 Jan	Treas 11¾pc 1991	107[illegible]	8.6	10.89	8.80
5Oct 5Apr	Funding 5¾pc '87-91‡‡	92[illegible]xd	1.9	6.20	8.23
13 Nov 15 May	Treas. 3pc 1991	88[illegible]xd	7.10	3.39	6.71
12Jan 12July	Treas 10pc Cv '91 ‡‡	105[illegible]	5.6	9.43	8.06
25Apr 25Oct	Exch. 11pc 1991	107[illegible]	18.9	10.25	8.77
—	Treas. 8pc 1991	97[illegible]xd	10.6	8.20	8.75
22Jly 22Jan	Treas 12¾pc 1992‡‡	113[illegible]	15.6	11.24	8.82
21Aug 21Feb	Treas 10pc 1992	104	15.7	9.61	8.82
13Oct 13Apr	Treas. 8pc 1992 ‡‡	97[illegible]	11.6	8.70	10.25
7 Nov 7 May	Treas 10¼pc Cv 1992‡‡	105[illegible]xd	1.9	9.90	8.84
—	Treas. 3pc 1992	85[illegible]xd	—	3.74	8.05
25 Feb 25 Aug	Exch. 12¼pc '92	112[illegible]	20.7	10.87	8.90
22Mar 22Sep	Exch 13½pc 1992	117[illegible]	17.8	11.46	8.89
	Five to Fifteen Years				
15Oct 15Apr	Treas 10pc 1993‡‡	106[illegible]	8.9	9.54	8.83
14Jan 14Jul	Treas 12½pc 1993‡‡	115[illegible]	8.6	10.81	8.92
15Mar 15Sep	Funding 6pc 1993‡‡	90[illegible]	10.8	6.64	8.10
23May 23Nov	Treas 13¾pc 1993‡‡	121[illegible]	16.4	11.30	9.01
1 Sept 1 Mar	Treas 14½pc 1994‡‡	125[illegible]	27.7	11.50	8.98
27Oct 27Apr	Exch 13½pc 1994	121[illegible]	21.10	11.14	9.09
9Jun 9Dec	Treas. 10pc Ln. 1994‡‡	104[illegible]	5.5	9.52	8.95
22Feb 22Aug	Exch. 12½pc 1994	116[illegible]	16.7	10.68	9.07

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

Interest Due	Stock	Price £	Last xd	Div % Gross	Red. Yield
1Apr 1Oct	Greek 7pc Ass.	45xd	1.5	3.50	17.42
1Feb 1Aug	Do. 6pc 28 Stb Ass.	45xd	3.8	3	16.37
1Apr 1Oct	Do 4pc Mixed Ass.	45xd	1.4	2	14.44
1May 1Nov	Hung. '24 Ass	65	5'85	2.75	14.23
31May 30Nov	Hydro Quebec 15pc 2011	138[illegible]	3.6	15.00	10.51
31Jan 31Jly	Iceland 14½pc Ln 2016	129xd	13.00	14.50	11.10
1Mar 15Sep	Ireland 9¾pc '91-96	100[illegible]xd	10.8	9.75	10.91

AMERICANS

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
Fb My Ag Nv	Abbott Laboratories	27[illegible]	9.10	$1.00	—	2.1
F My Ag N	Alcoa $1	23[illegible]	[illegible]	$1.20	—	2.9
—	Allegheny & W $0.01	577p	—	30c	—	3.0
—	Amax $1	[illegible]	5'85	—	—	—
Nv Mr Je Ag	Amdahl 5c	16[illegible]	5.11	20c	—	0.7
Mr.Je.Se.De.	Amer. Cyanamid $5	21[illegible]	25.8	$1.05	—	2.8
Fb My Ag Nv	Amer. Express $0.60	14[illegible]	12.1	76c	—	3.0
Fb My Ag Nv	Amer. Medical Int. $1	[illegible]p	13.09	♦72c	—	6.1
Fb My Ag Nv	American T. & T. $1	16[illegible]	25.9	$1.20	—	4.1
Fb My Ag Nv	Ameritech $1	50[illegible]	29.12	$4.72	—	5.4
—	Amfac	15[illegible]	17'84	—	—	—
—	Anheuser-Busch $1	17[illegible]	—	$2.00	—	6.7
—	AndTech	43p	—	—	—	—
—	BankAmerica $1	5[illegible]	11'85	—	—	—
Ap Jly Oc Jan	Bankers N.Y. $10	18[illegible]	26.3	$1.66	—	5.2
Ja Ap Jy Oct	BAS(X Corp.	190p	18.6	12c	—	3.6
My Au N Fb	Bell Atlantic $1	41[illegible]	25.9	$3.84	—	5.4
—	BellSouth Corp.	22[illegible]	7.7	$2.04	—	5.2
Mar Jun S D	Bethlehem Steel $8	7	4.11	—	—	—
—	Bio-Rad Labs. Inc. 'A'	802p	—	—	—	—
Oc Ja Ap Jy	Bowater Inc.	14[illegible]	5.6	80c	—	3.2
Ja Ap Jy O	Browning-Ferris 16⅔c	14[illegible]	15.08	40c	—	1.5
F My Au N	Brunswick $0.75	9[illegible]	21.10	30c	—	1.8
Jan Ap Jly O	CPC Intnl. 25c	21[illegible]xd	25.9	$1.24	—	3.3
Mr Je Se De	CSX Corp U.S.$1.00	15[illegible]	19.8	$1.16	—	4.4
Mr Je Se De	CalFed Inc $1.00	14[illegible]	11.8	$1.20	—	4.8
Oc Ja Ap Jy	Campbell Soup 30c	33[illegible]	13.00	$1.68	—	2.9
F My Au N	Caterpillar Inc $1.00	31[illegible]	15.7	50c	—	0.9
Fb.My.Ag.Nv.	Chase Manhattan $12.5	15[illegible]xd	27.09	$2.16	—	7.9
Ap Jy Oc Ja	Chemical New York	16[illegible]	10.9	$2.72	—	9.7
Mar Jun S D	Chrysler $6¼	14[illegible]	10.6	♦$1.00	—	3.9
My Au N F	Citicorp $1	24[illegible]	27.4	$2.46	—	5.9

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

AMERICANS—Continued

Dividends Paid	Stock	Price $	Last xd	Div Gross	C'vr	Y'ld Gr's
Jan Apr Jly O	Rep NY Corpn $5	23	10.9	$1.16	—	2.9
Mar Jan S D	Rockwell Intl. $1	11	14.5	66c	—	3.5
Oc Ja Ap Jly	Sara Lee $1	21¼xd	13.00	$1.00	—	2.7
Mr Ju Se De	Saul (B. F.) $1	9¼	10.9	20c	—	1.2
Fb My Ag No	Southwestern Bell $1	21¾	7.7	$2.32	—	6.1
—	Staley Continental	11½	—	80c	—	4.0
Mr Ju Se De	Sun Co. Inc. $1	29½xd	05.10	$3.00	—	5.9
Mr Ju Se De	TRW Inc. $0.625	26⅞	11.8	$1.60	—	3.5
Mr Jn Sp Dc	Tenneco $5	24⅝xd	11.8	$3.04	—	7.1
June Dec	Do. 10pcLn.Stk. 91-5	150xd	13.00	10%	—	14.7
Mr Je Se De	Texaco $6.25	17⅝xd	31.7	$3.00	—	9.9
Mr Ju Se De	Time Inc. $1	47¾xd	22.8	$1.00	—	1.2
Ja Ap Jy Oc	Tracor $0.33	17⅛xd	16.9	40c	—	1.3
Ja Ap Ju Oc	Transamerica $1	18⅝xd	30.08	$1.84	—	5.6
Fe My Au No	Transworld Corp $5	780p	11.11	20c	—	1.5
Mc Je Se De	TRINOVA Corp.	15⅛	11.8	56c	—	2.1
Mr Je Se De	USX $1	15⅝	30.10	$1.20	—	4.4
Ag Nv Fb Ja	Union Carbide $1	12¾xd	4.8	$1.50	—	7.0
Mr Jn Sp De	Utd. Technologies	20⅝xd	19.5	$1.40	—	4.0
Fb My Ag No	US West	29⅝	13.4	$3.28	—	6.4
—	Waste Management $1	21⅝	—	—	—	—
—	Whirpool $1.0	13⅝	—	—	—	—
Mr Je Se De	Woolworth $3½	18⅝	19.11	$1.32	—	4.2

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

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ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Continued

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Garages and Distributors

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PAPER, PRINTING—Continued

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TRUSTS, FINANCE, LAND

Investment Trusts

FINANCE, LAND—Cont.

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Continued

Tins

Miscellaneous

THIRD MARKET

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- ‡ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	81	.....	Fin. 13% 97/02	£118¾	+¼
Craig & Rose £1	665	.....	Arnotts	250	−30
Finlay Pkg. 5p	85	−3	CPI Hldgs	70	.....
Holt (Jos) 25p	£11½	−¼	Carrol Inds.	130	.....
IoM Stm. £1	240	−3	Dublin Gas	40d	.....
			Hall (R. & H.)	120	.....
			Heiton Hldgs.	40	−2
IRISH			Irish Ropes	160	.....
Fund 13¼% 1988	£100¾	.....	Morish	325	.....
Nat. 9¾% 84/89	£99	+¼	Unidare	350	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	40	NEI	13
Amstrad	19	Nat West Bk	65
BAT	62	P & O Dfd.	65
BOC Grp.	50	Plessey	20
BSR	17	Polly Peck	34
BTR	36	Racal Elect	32
Babcock	32	RHM	35
Barclays	52	Rank Org Ord	70
Beecham	52	Reed Intnl	50
Blue Circle	50	STC	30
Boots	30	Sears	16
Bowaters	50	TI	37
Brit Aerospace	50	TSB	12
Brit. Telecom	28	Tesco	18
Burton Ord	32	Thorn EMI	65
Cadburys	25	Trust Houses	25
Charter Cons.	45	T&N	26
Comm Union	34	Unilever	62
Courtaulds	45	Vickers	20
FNFC	32	Wellcome	42
Gen Accident	95	**Property**	
GEC	22	Brit Land	30
Glaxo	200	Land Securities	50
Grand Met	50	MEPC	48
GUS 'A'	125	Peachey	40
Guardian	95	**Oils**	
GKN	38	Brit Petroleum	32
Hanson Tst	17	Britoil	30
Hawker Sidd	58	Burmah Oil	52
ICI	125	Charterhall	10
Jaguar	52	Premier	11
Ladbroke	45	Shell	125
Legal & Gen	32	Tricentrol	11
Lex Service	45	Ultramar	26
Lloyds Bank	35	**Mines**	
Lucas Inds	75	Cons Gold	125
Marks & Spencer	22	Lonrho	28
Midland Bk	45	Rio T Zinc	100
Morgan Grenfell	55		

A selection of Options traded is given on the London Stock Exchange Report Page.

MANAGEMENT

Insead

Moulding managers for multinationals

Michael Skapinker on the French-based business school's goals

DURING HIS first week as a visiting professor at the University of Pennsylvania's Wharton business school, two people knocked on Herwig Langohr's door.

One of the visitors, he was informed, was to be his "work student". The other would be his research assistant. Both asked what they could do for him. For Langohr, the incident sums up a major difference between the *top American business schools* and his own employer, the European Institute of Business Administration (Insead), where he is professor of finance.

Although Insead has built up an enviable reputation since its foundation in Fontainebleau, France, 28 years ago, its faculty members concede that it still cannot match the research facilities of the leading US schools.

Insead is not linked to any university and receives no state support. Having two people to assist with research is something that its professors can only dream about.

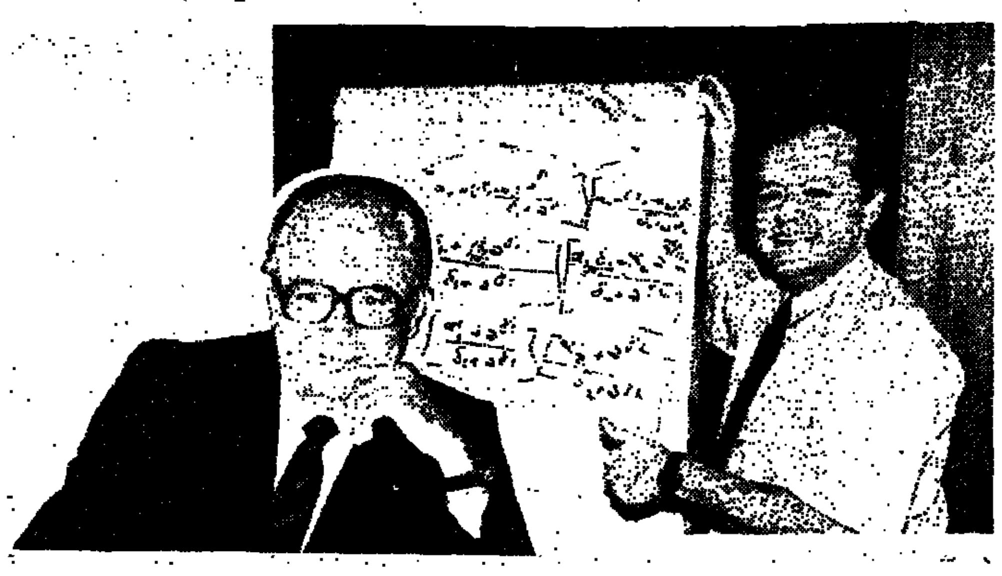
Now, however, the school has embarked on an ambitious programme of expansion in both research and teaching. The result, *it hopes, is that the* international business community will one day refer to it in the same breath as Harvard, Stanford and Wharton.

The full-time faculty has already grown from 50 last year to just over 60 today. Philippe Naert, one of Insead's two deans, says he hopes to have 75 faculty members in three years' time. Starting next year, the school will increase the number of places it offers on its Masters of Business Administration programme from just over 300 to 420. It is considering offering a doctoral degree as well.

In addition, Insead is halfway through a major five-year research programme, set up with financial support from a long list of international corporations.

While Insead would like to attain the stature of the major American business schools, it sees itself as having a mission of its own: the development of managers who can operate across national boundaries. It has, its members boast, a more international outlook than its *American and British counter*parts. Insead's students come from about 30 countries, its faculty from 18.

Despite its location, Jean-Pierre Salzmann, the public relations director, insists that Insead is not a French business school. Certainly, there is little at the school to remind you that you are in France. Most of the teaching is in English. Although proficiency in French is an admission requirement, students from non-Francophone countries say they get as much chance to speak the language in Fontainebleau as the average tourist would.



Claude Rameau (left) and Philippe Naert: hope to increase numbers of teaching staff and places on the MBA course in the short term

Although the French students *used to be the largest contin*gent on the MBA programme, they have now been overtaken by the British. On the course *which began in September this* year, 18 per cent of the class was from the UK, 16 per cent were French, 10 per cent were from North America, 8 per cent from West Germany and 7 per cent from Japan. Insead policy is not to allow the proportion from any one country to rise above 25 per cent.

National diversity

Insead faculty members argue that the national diversity of the student body forces them to adopt a more international outlook than would be the case at Harvard or at the London Business School. Although both these schools have students and staff from other countries, their focus tends to be the national business culture.

At Insead, on the other hand, "we do not have a national constituency," says Kasra Ferdows, associate professor of production and operations management. "We can't afford to go into *the classroom and just stick to* one country."

In group work on the MBA *course, says Naert,* "we bring people together who are as heterogeneous as possible. We put Japanese with Americans, with *Frenchmen.*"

Nevertheless, in its early years Insead had to rely almost exclusively on American teaching materials. European business schools were too new to have sufficient materials of their own.

While the school's own research output has grown in recent years, Naert says that the focus has, up until now, been on teaching. He would like to see more of a balance in future between what he calls "the transfer of knowledge," teaching, and "the production of knowledge," research. That research should reflect Insead's international outlook, he says.

The research programme which Insead has set up in collaboration with companies like Ciba Geigy, Citibank and Exxon, focuses on four areas: the management of technology and innovation, human resources and organisational management, European strategic marketing, and international financial services.

When Insead embarked on the research programme it had more experience in some of *these areas than others,* Naert admits. "Marketing is an area where Insead is strong," he says. "In other areas, if you had told *people five years ago that* we were going into the management of technology and innovation, they would have smiled. But that's an area where we said we should do something, and now I see various faculty members who are interested in it and are producing output."

Powerful impetus

Although Insead has yet to decide whether or not to go ahead with its doctoral programme, Naert believes it would give a powerful impetus to the school's research. "The best way to force faculty members to remain up-to-date and creative is to have pushy doctoral students," he says.

Not all of Insead's teaching time is devoted to its MBA students. About 60 per cent of teaching hours go towards the school's *executive* programmes, which are shorter courses for practicing managers.

The programmes help to fund *Insead's other activities,* and the edge of the Fontainebleau forest is a pleasant place for managers to spend some time away from the office.

But how good is Insead's splendid isolation for its faculty and its MBA students? Naert's co-dean, Claude Rameau, believes the research partnership with industry helps to keep Insead in touch with with the world outside. Because the school receives no financial support from a university or from the state, he argues, it is forced to listen to the business community and to provide the teaching and research which industry regards as important.

But several faculty members accept that being a 45-minute train ride from Paris has its disadvantages. "When I go to a dealing room in Paris, it takes up four hours of my day. If Insead was in Paris or the City of London it would only be two hours," says Herwig Langohr. "In that sense it's a disadvantage. We're more dependent on telephone conversation, newspapers and reading than on face-to-face contact. And face-to-face contact is important.

"For the MBA students, simply the fact that they live in isolation makes it more difficult for them to relate to reality. Our MBAs, because they are somewhat removed from professional activity when they are here, have the impression that from the moment you develop a model it's not relevant to reality. That would be different if we were in London or New York."

Insead is open to another criticism: that it turns out consultants and financial specialists, rather than managers for manufacturing industry. It is an accusation which is, of course, levelled at other business schools too.

Insead's own figures tend to support the critics. Although half its MBA students arrive with a scientific or technical training, around 40 per cent of the graduates go into consulting or financial service jobs when *they leave.*

Faculty members say much of the fault lies with manufacturing companies which are not *prepared to match the salaries* available in consultancy or (until recently, at any rate) in financial services.

Others, however, detect a silver lining. Lister Vickery, who teaches a course on new ventures, says his research suggests that many of the MBAs eventually leave consultancy to run businesses thesmelves.

For example, a survey of the class of 1966 showed that more than half of them are now self-employed or running their own or their family's business, or own a share of the company in which they work.

Philippe Naert is encouraged by these results. But, he says, returning to a favourite theme, it is an area which needs more detailed research.

Leadership

Vision from the junk yard

BY CHRISTOPHER LORENZ

RENE LEVESQUE, the former Quebec Premier who died a week ago, was in many ways a classic type of leader: he started with a vision - political sovereignty for Quebec - and then tried to make it reality by means of various plans and ploys.

Lee Iacocca, the charismatic creator of the legendary Ford Mustang and more recently the saviour of Chrysler, is a very dif*ferent type of leader. His ap*proach is more like that of someone who wanders about a junk yard, picking up stray bits

Iacocca: weaving a web

and pieces which he puts together to create new objects.

In more conventional management language, Iacocca's vision grows out of his day-to-day encounters and operational de*cisions, rather than vice versa.* The best term to describe his foraging approach is the French "bricoleur" - the nearest (but inadequate) English equivalent being "odd-job man".

This picture of contrasting styles of leadership is painted in a recent paper by two academics from the Faculty of Management at McGill University in Montreal; the redoubtable Professor Henry Mintzberg and Frances Westley, a younger colleague. Mintzberg won worldwide fame more than a decade ago for his path-finding work on the disorganised ways in which executives really manage, in contrast with the neatly logical academic models popular at the time.

As with his earlier research, he and Westley wanted to break away from conventional research on leadership, much of which has simply compiled inventories of useful characteristics. It has also tended to exclude the various contexts - organisational, political and so on - in which particular leaders prove effective. And it has assumed that leaders invariably energise their followers via a sort of "hypodermic needle" approach.

"Our view is that leadership is much more complex, irrational and interactive," Westley told the annual conference of the Strategic Management Society in Boston last month when she and Mintzberg presented a paper* on their unusual view of *what is* commonly called "strategic vision".

Much of the literature on leadership and vision suggests *that the leader has a great deal* of control. But the McGill duo said their research suggested that this was often not the case, and that strategic visions were dictated less by the leader than by the contexts (political, organisational, and human) in which they arose. In very *different* ways, Mintzberg and Westley argued, this is true of both Levesque and Iacocca.

Levesque *did* not invent Quebec nationalism, nor did he conceive the idea of Quebec sovereignty. But, the researchers *pointed out, it was under his* leadership that it began to take tangible shape, and was put before the voters as an alternative *political system (it was eventu*ally voted down in a referendum in 1981).

In contrast with their "odd-job *man" label for* Iacocca, the McGill duo labelled Levesque's strategic style as "tightrope walking". As they put it, "he had lofty ideals and highwire dreams, but had to manifest them in a balancing act between a conservative populace on one side and a missionary party on the other."

His passage from dream to reality was made perilous, and ultimately ill-fated, by the rigidly logical way in which he and his government developed their position into a stark offer with no bargaining room and no fall-back position.

In contrast with Levesque's deductive approach - moving with relentless Cartesian logic from general vision to unnegotiable action - the researchers see Iacocca as a master of the inductive and the possible.

He did not "really present the world with anything startlingly new or original," they told the conference, either in the case of the phenomenally successful Ford Mustang - launched in 1964 under Iacocca's aegis - or in the phoenix-like recovery of Chrysler after he took over in 1978.

"In the one case he produced a product which represented a recombination of classic Ford *parts from old models,* tailored to fit on existing car platforms and over existing engines. In the other, he executed a turnaround in almost textbook fashion, clothing it in evocative images composed of personal, historical and patriotic analogies.

"In both cases," say Mintzberg and Westley, "he recognised a certain set of financial and political parameters and played within these......Iacocca's unique style does not reside in

Levesque: walked a tightrope

any of the individual elements so much as in his ability to combine them inductively - whether people, facts, or images - and then to infuse the combinations with intense personal effect."

Iacocca seemed able to build his strategic vision piece by piece, reported Mintzberg and Westley. "The act of piecing together people, parts and processes resulted in the Mustang; the act of piecing together images resulted in a powerful survival myth (or ideal) for Chrysler." Because of its highly motivating impact, "this was perhaps the key to the company's turnaround."

Mixing their graphic metaphors, the McGill duo say that Iacocca behaved like a spider, weaving his web partly by instinct, partly by design, and "combining the elements he caught into sustaining strategies."

Unlike tightrope walkers such as Levesque, the researchers concluded, "spiders don't fall, or at least they don't get hurt when they occasionally do. They merely land and move on to weave another web."

**Paper available from Professor Mintzberg at McGill University, 1001 Sherbrooke Street West, Montreal H3A 1G5, Canada.*

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

SPAIN

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SINGAPORE

[illegible]

AUSTRALIA

[illegible]

HONG KONG

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

JAPAN

[illegible]

SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

Closing prices November 6

Sales	Stock	High	Low	Close	Chng
1411	AMCA Int	$9 7/8	9 3/4	9 7/8	+1/4
21069	Abitibi Pr	$22 3/4	22 1/2	22 3/4	
14600	Agnico E	$23 1/4	22	23 1/4	+1 1/8
140541	Albrta En	$17 1/8	16 3/4	16 7/8	+1/8
800	Albrta N	$11 7/8	11 3/4	11 7/8	+3/8
336806	Alcan	$32 3/4	31 1/2	31 5/8	−3/8
800	Algo Cent	$19	19	19	
14775	Algoma St	$15 1/2	15	15 1/2	
29700	Asamera	$8 1/2	8 1/4	8 3/8	
17950	Atco I f	$9	8 5/8	8 5/8	
15000	Bk BCol	60	59	59	
500	BC Sugar A	$23 1/4	23 1/4	23 1/4	+1/8
18610	BGR A	$9 1/4	9	9 1/8	−1/8
1900	BP Canada	$17 3/4	17 1/2	17 1/2	+1/4
104392	Bk Montl	$26 1/4	25 7/8	26	+3/8
249799	Bk NScot	$13	12 1/2	12 3/4	+1/8
216177	Bell Can	$36 7/8	36 1/4	36 5/8	−3/8
103611	Bow Valy	$14 3/4	14 5/8	14 5/8	+1/4
1600	Bralorne	155	150	155	+5
400	Bramalea	$19 5/8	19	19 5/8	+5/8
84770	Brascan A	$25 3/4	25	25	−1/2
94800	Brkwater	$5 1/8	490	5	+15
700	Brenda M	$12 1/2	12 1/4	12 1/4	
33650	BC ForP	$16 3/4	16 1/4	16 1/4	−1/4
50350	BC Res	85	81	82	+1
40800	BC Phone	$26	25 3/4	26	+3/8
61058	CAE	$7 1/4	6 7/8	6 7/8	−1/2
12700	CCL B f	$8 1/4	8	8	
50003	CIL	$26 1/2	26 1/2	26 1/2	−1/8
2311	Cambridg	$20 1/4	20 1/8	20 1/4	−1/4
1150	Cons Gas	$23 7/8	23 5/8	23 5/8	−1/8
2100	Con Glass	$18 1/2	18 1/4	18 1/4	−1/4
1500	CTL Bank	330	330	330	+15
2700	Conwest B	$10 7/8	10 1/2	10 7/8	−1/8
4	Corby	$15 7/8	15 7/8	15 7/8	
100	Costain Ltd	$7 3/4	7 3/4	7 3/4	−1/8
10200	Coseka R	62	60	60	
1200	Crownx	$11 5/8	11 1/8	11 1/2	+1/4
30503	Crownx A f	$5 3/4	5 1/2	5 5/8	+1/4
18000	Czar Res	130	120	130	+10
2300	Denison A p	$5 5/8	5 1/8	5 5/8	+1/4
18700	Denison B f	$5	490	5	+10
19600	Dickson A f	$7 3/8	7 3/8	7 3/8	+1/8
3200	Dickson B	$10 1/4	9 1/2	9 1/2	−2 1/4
61950	Dofasco	$22 1/4	21 1/4	21 1/4	−1/2
70040	Dome Pete	85	83	85	−2
28820	D Textile	$15 1/4	15	15	−1/4
10701	Domtar	$14 7/8	14 1/2	14 5/8	+3/8
900	Donohue	$28	27 1/2	28	−1/2
200	Du Pont A	$26	26	26	+3/4
13550	Dylex A	$9	8 1/2	8 3/4	
106491	Echo Bay	$23 1/8	22 5/8	22 1/2	−1/8
900	FCA Intl	$10 1/4	10	10 1/4	+1/4
226263	Ficnbrdg	$19 1/2	19	19 1/2	+1/4
11612	Fed Ind A	$13 1/8	12 3/4	13 1/8	+1/2
600	Fed Pion	$9	9	9	
2200	FCity Fin	$14	13 3/4	13 7/8	−1/8
200	Ford Cnda	$130	130	130	−2
5600	Gandalf	$7 5/8	7 1/2	7 5/8	+1/8
1000	Geac Comp	158	158	158	+3
1300	Gendis A	$13 1/8	13 1/8	13 1/8	
2000	Giant Yk	$19	19	19	
5125	Gibrltar	$9 1/8	9	9 1/8	+1/8
14620	Goldcorp f	$7 1/2	7	7 1/2	+1/4
400	Grafton A f	$10 1/2	10	10	−1
8405	GL Forest	$39 3/4	39	39 1/2	+1/2
700	Greyhnd	$19 1/2	19 3/8	19 3/8	−3/8

[illegible]

MONTREAL

Closing prices November 6

[illegible]

Total Sales 5,336,822 shares

OVER-THE-COUNTER

Nasdaq national market, closing prices, November 6

Continued from Page 45

[illegible]

Indices

NEW YORK

DOW JONES

[illegible]

STANDARD AND POOR'S

[illegible]

TRADING ACTIVITY

[illegible]

CANADA

TORONTO

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

[illegible]

** Saturday November 7 Japan Nikkei 22637.01. TSE 1856.99

[illegible]

Closing prices, November 6

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14¼	AAR s	.36	2.0	19	165	18⅝	17⅞	18⅛	−⅛
32½	17½	AFG s	.16	.6	8	403	25⅝	24¾	24¾	−⅜
27	10⅞	AGS s			13	210	16	16½	15⅝	−⅛
9⅝	3¼	AM Intl			45	2408	5	4⅝	5	+⅜
65½	29½	AMR			10	6601	36¼	35⅝	35½	
12¼	6⅝	ARX s			7	158	7⅛	6¾	7⅛	−⅛
73½	34½	ASA	2a	4.4		1774	45½	43⅝	45	+3¼
22⅝	9½	AVX			18	790	14⅝	13⅝	14	−⅛
67	40	AbtLab	1	2.1	16	4778	50	48	48	−1⅝
28	15⅝	Abitibi g				23	17¼	17	17¼	+⅛
16¾	9	AcmeC	.40	3.8	11	394	11½	10½	10½	−⅝
10½	6⅛	AcmeE	.32b	4.2	26	1	7⅝	7⅝	7⅝	
23¼	16½	AdaEx	3.30e	19.		168	17¾	17⅝	17⅝	
19½	7¾	AdmM s	.24	2.4	8	154	10⅝	9½	10⅛	+⅝
35	14⅛	AdvSys			16	431	28½	27¼	27¼	−⅝
24⅞	9½	AMD				7017	11	10⅜	10½	−⅝
56¾	30½	AMD pf	3	9.4		365	32¼	31¾	31¾	−¼
11⅞	4¾	Adobe				331	5⅝	5⅜	5⅝	+⅛
20½	15	Adob pf	1.84	11.		15	17	17	17	
21⅞	17	Adob pf	2.40	12.		3	19⅝	19⅛	19⅝	+½
15	6⅛	Advest	.12a	1.6	6	87	7⅞	7½	7½	−⅝
68¼	46	AetnLf	2.76	5.3	7	1958	53½	51½	52⅝	+⅝
63½	30⅝	AflPb s	.32	.6	8	x870	51	48¼	50	+⅝

Continued on Page 45

NYSE COMPOSITE CLOSING PRICES

Continued from Page 44

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
65	50	Xerox	3	5.2	12	3493	58¾	58⅛	58⅛	−⅜
58¼	52½	Xerox pf5.45		10.		16	54⅜	54	54	
31½	19¾	XTRA	.64	2.8	19	76	23⅜	22⅝	23¼	+⅜
28¼	19½	XTRA pf1.94		8.7		10	22¼	22¼	22¼	+¾
33⅞	15⅛	Yorkin			9	332	23¼	22⅝	22⅝	+¼
7¼	2¼	Zapata				409	3½	3⅛	3⅛	−⅛
37	14⅝	Zayre	.40	1.8	8	3584	23	21½	21¾	−⅜
16⅛	9½	Zemex	.40	4.1	6	49	9⅞	d	9⅝	9¾
33⅝	10	ZenithE				1073	14⅛	13¾	13⅞	−⅜
13½	3⅛	ZenLab				421	4⅛	4⅛	4⅛	−⅛
26½	13½	ZeoNS	.80	4.9	8	79	16⅜	16	16¼	−⅜
20⅜	11⅝	Zero	.36	2.4	14	x170	15⅛	14⅞	14⅞	+¼
30¾	15	Zurnin s .68		3.5	13	247	21½	19⅜	19½	−1⅞
10⅝	7⅝	Zweig	.65e	7.8		656	8⅝	8½	8½	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices, November 6

OVER-THE-COUNTER

Nasdaq national market, closing prices, November 6

Continued on Page 43

FOREIGN EXCHANGES

US deficit problems and G5 discord see dollar at record lows

BY COLIN MILLHAM

A HECTIC week saw the dollar fall to record lows against the D-Mark, Swiss franc and the yen, and sterling climb to its highest level for nearly six years against the US currency.

Disagreement among members of the Group of Five encouraged the dollar's fall against the background of very large US budget and trade deficits.

There was no sign that the Reagan Administration would agree to tax increases, and a cut of about $40bn in the Budget deficit, to stabilize the dollar.

European members of G5 and Japan regard the US budget deficit as the main problem preventing stability on the foreign exchanges. On Friday Mr Thomas Foley, a US congressman, said the maximum cut in the budget deficit would be $23bn.

Republican leaders later suggested a reduction of $75.5bn over two years, but only some $28bn was expected in the first year, and about $5bn appeared to involve politically sensitive social payments, which are unlikely to be cut, bringing the figure back to $23bn.

The US has a rather different view, regarding tight West German monetary policy as a major problem. The Bundesbank cut some of its leading interest rates last week, but this appeared to be more an attempt to prevent a crisis within the European Monetary System, rather than a move to defend the dollar.

Japan continued to promote the idea that the Paris agreement on currency stability is still intact, but had to face up to the fact that its own foreign exchange intervention would not prevent a dollar slide while other central banks took a half hearted attitude.

Nomura Research Institute in London said that although Japan continued to resist a cut in its discount rate there was a limit to the pain barrier on currency rates, and an interest rate reduction may be not too far away.

The UK blamed the US for its budget deficit and West Germany for its monetary policy. A cut in British interest rates seemed most unlikely until the authorities were forced to react to falling share prices and a rising pound on Wednesday.

France kept a low profile and appeared to act behind the scenes. There must have been concern about the rise of the D-Mark within the European Monetary System and the potential problems for the franc. Money flowing out of the dollar was attracted to the D-Mark rather than some of the other EMS currencies, but during the week the Bundesbank and the Bank of France agreed on a coordinated move to raise French interest rates and cut German rates.

Apart from the budget deficit the market will also be looking to the US on its trade position this week. A deficit of $14bn to $15bn has been forecast, compared with $15.68bn in August.

In London, Nomura is forecasting a US deficit of $14bn, while Morgan Grenfell expects $14.5bn, and Phillips and Drew $14.7bn which appears to be the median of the market's expectations.

Lloyds Bank in its latest international financial outlook forecasts the dollar will show a period of stability until the end of the year, but will fall again in 1988, touching DM1.58 and Y125 by September next year.

£ IN NEW YORK

Nov.6	Close	Previous Close
£ Spot	1.7865-1.7875	1.7785-1.7795
1 month	0.35-0.34pm	0.35-0.35pm
3 months	0.72-0.69pm	0.67-0.63pm
12 months	2.12-2.02pm	1.88-1.78pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		Nov.6	Previous
8.30	am	75.3	75.4
9.00	am	75.4	75.3
10.00	am	75.4	75.3
11.00	am	75.4	75.3
Noon		75.4	75.3
1.00	pm	75.5	75.3
2.00	pm	75.5	75.3
3.00	pm	75.6	75.2
4.00	pm	75.7	75.3

CURRENCY RATES

Nov.6	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.759793	0.690209
U.S Dollar	6	1.35114	1.22926
Canadian $	8.75	*	1.62103
Austrian Sch.	4	15.9948	14.5188
Belgian Franc	7¾	47.4655	43.1686
Danish Krone	7	8.78849	7.97729
Deutsche Mark	3	2.26789	2.06209
Neth.Guilder	4¼	2.55163	2.31999
French Franc	9½	7.69136	7.01109
Italian Lira	12	—	1522.32
Japanese Yen	2½	182.066	166.319
Norway Krone	8	8.58649	7.80196
Spanish Peseta	—	152.746	138.907
Swedish Krona	7½	—	7.45826
Swiss Franc	3	1.86592	1.69577
Greek Drach.	20½	178.344	162.263
Irish Punt	—	—	0.775364

*C$/SDR rate for Nov.6 1.78704

CURRENCY MOVEMENTS

Nov.6	Bank of England Index	Morgan Guaranty Changes %
Sterling	75.7	-18.3
U.S Dollar	96.3	-10.1
Canadian Dollar	76.7	-10.9
Austrian Schilling	142.2	+11.0
Belgian Franc	101.4	-4.3
Danish Krone	93.8	+2.5
Deutsche Mark	151.2	+23.8
Swiss Franc	180.3	+25.3
Guilder	139.3	+15.9
French Franc	72.3	-13.3
Lira	47.4	-19.2
Yen	228.4	+71.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100).

OTHER CURRENCIES

Nov.6	£	$
Argentina	6.9540-7.0470	3.900-3.9500
Australia	2.6095-2.6125	1.4630-1.4640
Brazil	101.285-101.910	56.7910-7.0750
Finland	7.3350-7.3750	4.1330-4.1350
Greece	232.40-236.40	130.50-132.70
Hong Kong	13.8400-13.9400	7.8075-7.8085
Iran	112.70*	68.40*
Korea(Sth)	1416.10-1428.90	797.10-803.70
Kuwait	0.49250-0.493500	0.27615-0.27625
Luxembourg	62.35-62.45	34.95-35.05
Malaysia	4.4125-4.4500	2.4915-2.4995
Mexico	2965.95-2972.85	1663.00-1665.00
N. Zealand	2.8395-2.8495	1.5960-1.5985
Saudi Ar.	6.6790-6.6870	3.7440-3.7460
Singapore	3.6330-3.6630	2.0475-2.0490
S. Af (Cm)	3.4865-3.5025	1.9610-1.9645
S. Af (Fn)	5.9740-6.1820	3.3615-3.4785
Taiwan	53.20-53.50	29.85-29.95
U.A.E.	6.5615-6.5575	3.6725-3.6735

*Selling rate

FORWARD RATES AGAINST STERLING

	Spot	1 mth	2 mths	6 mths	12 mths
US Dollar	1.7830	1.7796	1.7760	1.7699	1.7625
D-mark	1.6750	1.6615	1.6393	1.6079	1.5445
French Fr.	5.6950	5.6957	5.6962	5.6972	5.6986
Swiss Fr.	1.3810	1.3680	1.3483	1.3192	1.2628
Yen	135.25	134.33	132.61	129.92	124.98

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Nov.6	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1686	+1.67	+0.90	±1.5344
Danish Krone	7.85212	7.97726	+1.59	+0.82	±1.6404
German D-Mark	2.05853	2.06209	+0.17	+0.60	±1.0981
French Franc	6.90403	7.01109	+1.55	+0.78	±1.3674
Dutch Guilder	2.31943	2.31999	+0.02	-0.79	±1.5012
Irish Punt	0.768411	0.775364	+0.90	+0.13	±1.6684
Italian Lira	1483.58	1522.32	+2.61	+2.32	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Nov.6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7735-1.7920	1.7825-1.7835	0.36-0.33cpm	2.32	0.73-0.68pm	1.58
Canada	2.3419-2.3558	2.3530-2.3540	0.21-0.11cpm	0.82	0.35-0.22pm	0.48
Netherlands	3.35½-3.37	3.35¾-3.36¾	1¼-1cpm	4.01	3⅜-3pm	3.79
Belgium	62.30-62.71	62.60-62.70	14-10cpm	2.30	34-27pm	1.95
Denmark	11.49¾-11.61½	11.52¾-11.53¾	1-1½oredis	-1.43	5¾-6⅛dis	-1.97
Ireland	1.1175-1.1275	1.1200-1.1210	0.05dis-0.05pm	-	0.05-0.23dis	-0.05
W. Germany	2.98¼-2.99¾	2.98¼-2.99¼	1½-1¼pfpm	5.52	3¾-3½pm	4.85
Portugal	240.85-244.27	241.33-242.62	67-124cdis	-4.74	260-354dis	-5.07
Spain	200.69-202.90	200.63-201.32	98-204cdis	-9.02	272-415dis	-6.84
Italy	2185½-2215¼	2206-2207	5-9liredis	-3.81	16-20dis	-3.26
Norway	11.26½-11.33½	11.32½-11.33½	4½-5oredis	-4.83	15⅝-16⅛dis	-5.65
France	10.06-10.16¼	10.15-10.16	0-¾cdis	-0.44	1½-2dis	-0.69
Sweden	10.76-10.82¼	10.77-10.78	0-¾dis	-0.91	1¼-1⅞dis	-2.54
Japan	240-241¼	240¼-241¼	1½-1¼ypm	7.46	2⅞-2⅝pm	4.56
Austria	20.95-21.12	20.95-21.00	7¾-6⅛gropm	4.15	21⅝-18⅛pm	3.84
Switzerland	2.45-2.47	2.45¼-2.46¼	1⅜-1¼cpm	6.09	3⅜-3⅛pm	5.28

Belgian rate is convertible francs. Financial franc 62.35-62.45. Six-month forward dollar 1.34-1.29cpm 12-month 2.10-2.00cpm.

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Nov.6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7735-1.7920	1.7825-1.7835	0.36-0.33cpm	2.32	0.73-0.68pm	1.58
Ireland†	1.5805-1.5900	1.5830-1.5840	0.24-0.21cpm	1.70	0.64-0.54pm	1.49
Canada	1.3160-1.3215	1.3190-1.3200	0.15-0.18cdis	-1.50	0.35-0.38dis	-1.11
Netherlands	1.8745-1.8940	1.8855-1.8865	0.26-0.23cpm	1.56	1.08-1.02pm	2.23
Belgium	35.00-35.20	34.95-35.05	1dis-1pm	-	1dis-par	1.06
Denmark	6.4510-6.5155	6.4625-6.4675	1.20-1.90oredis	-2.86	4.20-4.90dis	-2.80
W. Germany	1.6670-1.6845	1.6745-1.6755	0.45-0.42pfpm	3.11	1.37-1.32pm	3.21
Portugal	135¼-136½	135¼-135¾	45-75cdis	-5.29	200-260dis	-6.76
Spain	112.30-113.45	112.50-112.60	80-110cdis	-10.09	210-260dis	-8.32
Italy	1225-1243	1237¼-1237¾	5.50-7.00liredis	-6.06	14.00-15.50	-4.76
Norway	6.3200-6.3820	6.4625-6.4675	3.85-4.20oredis	-7.61	11.35-11.75dis	-7.28
France	5.6300-5.7175	5.6945-5.6955	1.20-1.45cdis	-2.80	2.75-3.10dis	-2.06
Sweden	6.0300-6.0755	6.0400-6.0450	1.15-1.45oredis	-2.57	3.05-3.45dis	-2.14
Japan	134.65-135.70	135.30-135.40	0.33-0.29ypm	2.75	1.03-0.98pm	2.97
Austria	11.75¼-11.84¼	11.80¼-11.81¼	2.00-1.00gropm	1.52	7.50-6.00pm	2.28
Switzerland	1.3700-1.3855	1.3805-1.3815	0.49-0.44cpm	4.04	1.32-1.25pm	3.72

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 35.10-35.20.

EURO-CURRENCY INTEREST RATES

Nov.6	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	9⅛-9	8⅞-8⅞	8⅞-8⅞	9-8⅞
US Dollar	6⅞-6½	6⅝-6½	6⅞-6⅝	7⅛-7⅛	7⅛-7⅛	7⅞-7⅞
Can. Dollar	7⅞-7½	8-7⅞	8⅛-7⅞	8⅛-8	8⅛-8⅛	8⅞-8⅞
D. Guilder	5-4⅞	4⅞-4⅞	4⅞-4⅞	5⅛-5	5⅛-5	5⅛-5⅛
Sw. Franc	2-1⅞	2-1⅞	2⅞-2⅞	3⅞-3½	3⅞-3⅞	3⅞-3⅞
Deutschmark	3⅞-3⅞	3⅞-3½	3⅞-3⅞	4-3⅞	4⅛-4	4⅞-4⅞
Fr. Franc	9⅞-8⅞	9⅞-9	9⅞-9⅞	9⅞-9	9⅞-9	9⅞-9
Italian Lira	11-10	11½-9⅞	12⅞-11⅞	11⅞-11⅞	11⅞-11	11⅞-11
B. Fr. (Fin)	7-6⅞	6⅞-6½	6⅞-6⅞	7⅛-7⅛	7⅛-7½	7⅛-7⅛
B. Fr. (Con.)	7-6⅞	6⅞-6⅞	6⅞-6½	7⅛-6⅞	7⅛-6⅞-7	7⅞-7
Yen	3⅞-3⅛	3⅞-3⅞	4⅛-3⅞	3⅞-3⅞	3⅞-3⅞	4⅛-4⅛
D. Krone	9⅞-9⅛	10⅛-10⅛	10⅞-10⅛	10⅞-10⅛	10⅞-10⅛	10⅞-10½
Asian $Sing	6⅞-6⅞	6⅞-6⅞	6⅞-6⅞	7⅛-7⅛	7⅞-7⅞	7⅞-7⅛

Long term Eurodollars: two years 8⅞-8⅞ per cent; three years 8⅞-8⅞ per cent; four years 9-8⅞ per cent; five years N/A per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Nov.6	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.783	2.988	241.3	10.16	2.463	3.363	2207	2.354	62.40
$	0.561	1	1.676	135.3	5.695	1.381	1.886	1238	1.320	35.00
DM	0.335	0.597	1	80.75	3.399	0.824	1.126	738.6	0.788	20.89
YEN	4.145	7.391	12.38	1000	42.09	10.21	13.94	9146	9.755	258.7
F Fr.	0.985	1.756	2.942	237.6	10	2.425	3.311	2173	2.318	61.45
S Fr.	0.406	0.724	1.213	97.97	4.124	1	1.365	896.0	0.956	25.34
H Fl.	0.297	0.530	0.888	71.75	3.020	0.732	1	656.2	0.700	18.56
Lira	0.453	0.808	1.354	109.3	4.602	1.116	1.524	1000	1.067	28.28
C $	0.425	0.758	1.269	102.5	4.315	1.046	1.429	937.5	1	26.51
B Fr.	1.603	2.857	4.788	386.6	16.27	3.946	5.389	3536	3.772	100

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-Last Dec	Calls-Last Mar	Puts-Last Dec	Puts-Last Mar
106	17.08	17.00	0.00	0.02
108	15.08	15.08	0.00	0.05
110	13.08	13.08	0.00	0.10
112	11.08	11.17	0.00	0.19
114	9.08	9.31	0.00	0.33
116	7.10	7.53	0.02	0.55
118	5.16	6.19	0.08	1.21
120	3.29	4.61	0.21	1.63

Estimated volume total, Calls 3335 Puts 1040
Previous day's open int: Calls 44215 Puts 32308

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-Last Dec	Calls-Last Mar	Puts-Last Dec	Puts-Last Mar
70	18.52	17.56	0.00	0.02
72	16.52	15.58	0.00	0.04
74	14.52	13.62	0.00	0.08
76	12.52	12.05	0.00	0.15
78	10.53	10.17	0.01	0.27
80	8.54	8.36	0.02	0.46
82	6.60	7.00	0.08	1.10
84	5.02	5.38	0.14	1.48

Estimated volume total, Calls 396 Puts 65
Previous day's open int: Calls 3015 Puts 2030

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last Nov	Calls-Last Dec	Puts-Last Nov	Puts-Last Dec
17000	2.16	5.89	13.16	16.89
17250	1.65	5.16	15.15	18.66
17500	1.25	4.50	17.25	20.50
17750	0.93	3.91	19.43	22.41
18000	0.69	3.39	21.69	24.39
18250	0.50	2.93	24.00	26.43
18500	0.36	2.53	26.36	28.53
18750	0.26	2.17	28.76	30.67

Estimated volume total, Calls 0 Puts 0
Previous day's open int: Calls 84 Puts 182

LIFFE £/$ OPTIONS

£25,000 (cents per £1)

[illegible]

LONDON SE £/$ OPTIONS

£12,500 (cents per £1)

[illegible]

PHILADELPHIA SE £/$ OPTIONS

£12,500 (cents per £1)

[illegible]

LIFFE- EURODOLLAR OPTIONS

$1m points of 100%

[illegible]

LONDON

20-YEAR 12% NOTIONAL GILT

£50,000 32nds of 100%

[illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND

[illegible]

THREE MONTH STERLING

£500,000 points of 100%

	Close	High	Low	Prev.
Dec.	91.28	91.36	91.25	91.43
Mar.	91.35	91.42	91.28	91.39
Jun.	91.24	91.33	91.23	91.33
Sep.	91.00	91.10	91.00	91.17
Dec.	90.90	90.87	90.87	91.15

Estimated Volume 6785 13662
Previous day's open int. 19959 (19743)

FT-SE 100 INDEX

£25 per full index point

	Close	High	Low	Prev.
Dec.	159.00	164.40	157.50	161.50
Mar.	164.00	164.50	164.00	166.00

Estimated Volume 2564 4954
Previous day's open int. 8937 (8795)

THREE MONTH EURODOLLAR

$1m points of 100%

	Close	High	Low	Prev.
Dec.	92.43	92.67	92.43	92.69
Mar.	92.44	92.52	92.24	92.50
Jun.	91.06	92.10	91.90	92.10
Sep.	91.70	91.71	91.56	91.74
Dec.	91.40	91.43	91.27	91.46
Mar.	91.15	91.22	91.04	91.23
Jun.	90.93	91.02	90.82	91.03
Sep.	90.74	90.86	90.65	90.86

Estimated Volume 8856 11303
Previous day's open int. 37755 (37326)

U.S. TREASURY BONDS 8%

$100,000 32nds of 100%

	Close	High	Low	Prev.
Dec.	88.26	90.12	88.15	89-31
Mar.	87.27	89.11	88.14	89-00

Estimated Volume 10513 11534
Previous day's open int. 10333 (10541)

CURRENCY FUTURES

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7850	1.7816	1.7780	1.7719	1.7645

IMM-STERLING $s per £

	Close	High	Low	Prev.
Dec.	1.7805	1.7885	1.7720	1.7760
Mar.	1.7760	1.7840	1.7680	1.7715
Jun.	1.7705	1.7760	1.7645	1.7665

LIFFE-STERLING £25,000 $ per £

	Close	High	Low	Prev.
Dec.	1.7825	1.7883	1.7757	1.7443
Mar.	1.7775	—	—	1.7400
Jun.	1.7725	—	—	1.7340

Estimated volume 8 30
Previous day's open int. 166 (164)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%

$100,000 32nds of 100%

[illegible]

U.S. TREASURY BILLS (IMM)

$1m points of 100%

[illegible]

SWISS FRANC (IMM)

SFr 125,000 $ per SFr

[illegible]

JAPANESE YEN (IMM)

Y12.5m $ per Y100

	Close	High	Low	Prev.
Dec	[illegible]	[illegible]	[illegible]	0.7418
Mar	[illegible]	[illegible]	[illegible]	0.7476
Jun	[illegible]	[illegible]	[illegible]	0.7534
Sep	[illegible]	[illegible]	[illegible]	0.7592
Dec	[illegible]	[illegible]	[illegible]	0.7650

DEUTSCHE MARK (IMM)

DM125,000 $ per DM

	Close	High	Low	Prev.
Dec	[illegible]	[illegible]	[illegible]	0.5983
Mar	[illegible]	[illegible]	[illegible]	0.6034
Jun	[illegible]	[illegible]	[illegible]	0.6086
Sep	[illegible]	[illegible]	[illegible]	0.6140
Dec	[illegible]	[illegible]	[illegible]	0.6194

THREE-MONTH EURODOLLAR (IMM)

$1m points of 100%

	Close	High	Low	Prev.
Dec	[illegible]	[illegible]	[illegible]	92.69
Mar	[illegible]	[illegible]	[illegible]	92.50
Jun	[illegible]	[illegible]	[illegible]	92.10
Sep	[illegible]	[illegible]	[illegible]	91.74
Dec	[illegible]	[illegible]	[illegible]	91.46
Mar	[illegible]	[illegible]	[illegible]	91.23
Jun	[illegible]	[illegible]	[illegible]	91.03
Sep	[illegible]	[illegible]	[illegible]	90.86

STANDARD & POORS 500 INDEX

$500 times index

	Close	High	Low	Prev.
Dec	[illegible]	[illegible]	[illegible]	255.40
Mar	[illegible]	[illegible]	[illegible]	256.80
Jun	[illegible]	[illegible]	[illegible]	258.70
Sep	[illegible]	[illegible]	[illegible]	262.10

MONEY MARKETS

A general round of interest rate cuts

UK clearing bank base lending rate 9 per cent from November 5

THE BANK of England resisted a further cut in UK bank base rates on Friday, but opinion suggested a reduction is not out of the question this week.

Wednesday's signal that base rates should be cut by ½ p.c. to 9 p.c. resulted from a very weak stock market in London and a rise in the value of the pound.

The market then continued to push for another lowering of base rates, and can probably draw encouragement from events in Europe last week, where the Dutch National Bank and Swiss National Bank cut their discount rates, and the West German Bundesbank reduced its Lombard rate.

Interest rates and sterling are unlikely to be influenced by this week's list of UK economic news, although the Bank of England Quarterly Bulletin on Thursday may provide sought after views on recent events and economic policy.

There is a difference of opinion on input prices in today's October UK producer prices. James Capel expects a fall of 0.2 p.c., and Greenwell Montagu Research forecasts a rise of 0.8 p.c. Output prices are expected to rise 0.2 p.c. to 0.4 p.c.

On Thursday October unemployment will be shown to have fallen by around 40,000 according to the general level of forecasts, and the underlying rise in average earnings is likely to be steady at 7¾ p.c.

According to Morgan Grenfell; County NatWest; James Capel; and Phillips and Drew, UK retail prices will have climbed 0.3 p.c. in October, but Nomura and Greenwell Monatagu expect 0.2 p.c. The year-on-year inflation rate is forecast at 4.3 p.c. or 4.2 p.c.

FT LONDON INTERBANK FIXING

(11.00 a.m. March 22) 3 months US dollars		6 months US Dollars	
bid 7⅛	offer 7¼	bid 7⅛	offer 7¼

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

BANK OF ENGLAND TREASURY BILL TENDER

	Nov.6	Oct.30		Nov.6	Oct.30
Bills on offer	£100m	£100m	Top accepted rate of discount	[illegible]	8⅞%
Total of applications	[illegible]	[illegible]	Average rate of discount	[illegible]	8.8733%
Total allocated	£100m	£100m	Average yield	[illegible]	9.07%
Minimum accepted bid	[illegible]	[illegible]	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	[illegible]	[illegible]			

WEEKLY CHANGE IN WORLD INTEREST RATES

[illegible]

MONEY RATES

NEW YORK (4pm)

		Treasury Bills and Bonds			
Prime rate	8.75	One month	4.55	Three year	7.92
Broker loan rate	7.75	Two month	4.79	Four year	8.12
Fed.funds	6⅞	Three month	5.86	Five year	8.29
Fed.funds at intervention	6⅞	Six month	6.38	Seven year	8.58
		One year	6.85	10-year	8.76
		Two year	7.60	30-year	8.85

September 22	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.55-3.65	3.50-3.65	3.80-3.95	4.30-4.95	3.80-3.95	4.50
Paris	9.3750	8.6875	8.7500	8.8125	8.9375	8.25
Zurich	1.00	2.3750	—	3.3750	—	—
Amsterdam	5.25	4.9375	—	5.03130	—	—
Tokyo	3.3475	3.84375	—	3.96875	—	—
Milan	10.25	10.50	—	11.50	—	—
Brussels	7.00	6.6875	—	7.00	—	—
Dublin	8.75	8.75	9.00	9.1250	9.1250	—

LONDON MONEY RATES

Nov.6	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11.00	9.25	9.0625	8.875	8.875	8.9375
Interbank Bid	9.125	9.125	8.9375	8.75	8.75	8.8125
Sterling CDs	-	-	9.00	8.75	8.75	8.75
Local Authority Deps.	9.125	9.125	9.9375	8.75	8.8125	8.875
Local Authority Bonds	-	-	9.3125	9.3125	9.375	9.375
Discount Mkt Deps.	9.375-9	9	8.75	8.50	-	-
Company Deposits	9.25	9.125	9.00	8.875	8.875	9.00
Finance House Deposits	-	-	9.0625	8.9375	8.9375	8.9375
Treasury Bills (Buy)	-	-	8.75	8.5625	-	-
Bank Bills (Buy)	-	-	8.8125	8.5625	8.506250	-
Fine Trade Bills (Buy)	-	-	9.4375	9.1875	9.1250	-
Dollar CDs	-	-	6.80-6.75	7.30-7.25	7.35-7.30	-
SDR Linked Deposits	-	-	5.9375	6.1875	6.1875	6.4375
ECU Linked Deposits	-	-	7.00	7.1250	7.1250	7.1875

Treasury Bills (sell); one-month 8⅝ per cent; three months 8⅜ per cent; Bank Bills (sell): one-month 8⅝ per cent; three months 8½ per cent; Treasury Bills; Average tender rate of discount 8.2877 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day October 30, 1987. Agreed rates for period November 25 to December, 1987, Scheme I: 11.36 p.c. Schemes II & III: 11.29 p.c. Reference rate for period October 1 to October 30, 1987, Scheme IV: 10.094 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10.5 from November 1, 1987: Bank Deposit Rates for sums at seven days' notice 3-3.5 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month - per cent; one-three months - per cent; three-six months - per cent; six-nine months - per cent; nine-twelve months - per cent; Under £100,000 - per cent from October 15, Deposits withdrawn for cash - per cent.